

The Capital Markets Company
Limited

Directors' Report and Financial Statements
Year ended 31 December 2023

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2023.

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 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and 16/F, 28 Hennessy Road, Wan Chai, 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:

Balaji Ramakoti

Niya Wang (appointed on 4 March 2024)

Dhiraj Kumar (appointed on 14 July 2022 and resigned on 14 December 2023)

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.

During the year ended 31 December 2023, certain directors of the company were members of the share-based plan operated by Wipro Limited, the ultimate holding company. Under the share-based plan, the directors were granted restricted stock units at the discretion of the management of Wipro Limited. This share-based plan is designed to reward the directors for their performance of duty at related companies and not in their capacity as directors of the company. Apart from the foregoing, at no time during the year was the company, or any of its holding companies, subsidiary or fellow subsidiaries a party to any arrangement 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.

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, subsidiary 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



Balaji RAMAKOTI

Director

Hong Kong, 17 JUN 2024

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 39, which comprise the company's statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2023 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.



Certified Public Accountants

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

17 June 2024

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023	2022
Revenue	2	\$ 109,079,032	\$ 160,384,030
Other net income	3	5,353,766	18,591,345
Staff costs	4(a)	(167,897,840)	(184,859,034)
Impairment loss on property, plant and equipment	7	(3,954,914)	-
Administrative expenses		<u>(24,305,740)</u>	<u>(27,527,136)</u>
Loss from operations		\$ (81,725,696)	\$ (33,410,795)
Finance costs	4(b)	<u>(3,425,407)</u>	<u>(761,643)</u>
Loss before taxation	4	\$ (85,151,103)	\$ (34,172,438)
Income tax expense	5	<u>-</u>	<u>(7,744,664)</u>
Loss and total comprehensive income for the year		<u>\$ (85,151,103)</u>	<u>\$ (41,917,102)</u>

The notes on pages 12 to 39 form part of these financial statements.

Statement of financial position at 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023	2022
Non-current assets			
Property, plant and equipment	7	\$ 29,849	\$ 1,458,971
Properties leased for own use	7	6,280,879	315,541
Deposits	10	1,188,719	-
		<u>\$ 7,499,447</u>	<u>\$ 1,774,512</u>
Current assets			
Trade and other receivables and contract assets	10	\$ 18,179,378	\$ 32,221,625
Amounts due from fellow subsidiaries	8	25,302,213	24,007,079
Amount due from a shareholder	8	-	3,592,155
Amount due from ultimate holding company	8	808,128	-
Amount due from immediate holding company	8	-	5,259
Loan to a shareholder	9	9,258	-
Loans to fellow subsidiaries	9	6,817,331	5,873,814
Cash and cash equivalents		6,966,615	8,330,531
		<u>\$ 58,082,923</u>	<u>\$ 74,030,463</u>
Current liabilities			
Trade and other payables and contract liabilities	11	\$ (11,517,398)	\$ (20,915,883)
Amount due to a shareholder	8	(5,061,797)	-
Amounts due to fellow subsidiaries	8	(6,790,635)	(8,707,143)
Amount due to ultimate holding company	8	(1,049,083)	(1,299,635)
Loan from a shareholder	9	-	(495,133)
Loan from immediate holding company	9	(41,211,639)	(30,446,745)
Loans from fellow subsidiaries	9	(65,524,708)	(627,408)
Provision for asset reinstatement		-	(1,421,400)
Lease liabilities	13	(2,946,175)	(603,628)
		<u>\$(134,101,435)</u>	<u>\$ (64,516,975)</u>
Net current (liabilities)/assets		<u>\$ (76,018,512)</u>	<u>\$ 9,513,488</u>
Total assets less current liabilities		<u>\$ (68,519,065)</u>	<u>\$ 11,288,000</u>

Statement of changes in equity
for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	<i>Share capital (note 14(b))</i>	<i>Retained profits/ (accumulated losses)</i>	<i>Total</i>
Balance at 1 January 2022	\$ 100	\$ 53,205,002	\$ 53,205,102
Change in equity for the year:			
Loss and total comprehensive income for the year	-	(41,917,102)	(41,917,102)
Balance at 31 December 2022 and 1 January 2023	\$ 100	\$ 11,287,900	\$ 11,288,000
Change in equity for the year:			
Loss and total comprehensive income for the year	-	(85,151,103)	(85,151,103)
Balance at 31 December 2023	<u>\$ 100</u>	<u>\$ (73,863,203)</u>	<u>\$ (73,863,103)</u>

The notes on pages 12 to 39 form part of these financial statements.

Cash flow statement for the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023	2022
Operating activities			
Loss before taxation		\$ (85,151,103)	\$ (34,172,438)
Adjustments for:			
Depreciation	7	3,718,171	2,961,912
Impairment loss on property, plant and equipment	7	3,954,914	-
Interest expense	4(b)	3,425,407	761,643
Interest income	3	(2,096,635)	(2,925,189)
Loss on disposals of property, plant and equipment		12,588	-
Exchange differences		914,271	(1,897,155)
Changes in working capital:			
Decrease/(increase) in trade and other receivable and contract assets		12,644,937	(5,831,195)
(Increase)/decrease in amounts due from fellow subsidiaries		(1,168,543)	66,20,952
(Decrease)/increase in trade and other payables and contract liabilities		(9,398,414)	328,884
Decrease in amount due from a shareholder		3,592,155	61,857,108
Increase in amount due to a shareholder		5,061,797	-
Decrease in amounts due to fellow subsidiaries		(1,916,508)	(866,725)
Decrease in amount due from immediate holding company		5,259	-
Decrease in amount due to immediate holding company		-	(187,583)
Increase in amount due from ultimate holding company		(808,128)	-
Decrease in amount due to ultimate holding company		(250,552)	1,299,635
Net cash (used in)/generated from operating activities		<u>\$ (67,460,384)</u>	<u>\$ 27,949,849</u>

Cash flow statement for the year ended 31 December 2023 (continued) (Expressed in Hong Kong dollars)

	Note	2023	2022
Investing activities			
Payment for purchases of property, plant and equipment		\$ (3,906,270)	\$ (1,107,054)
Proceeds from repayment of loans by fellow subsidiaries		192,455	276,715
Loans to fellow subsidiaries		(218,842)	-
Net cash used in investing activities		<u>\$ (3,932,657)</u>	<u>\$ (830,339)</u>
Financing activities			
Repayment of lease liabilities	12	\$ (1,908,988)	\$ (2,139,810)
Interest paid on lease liabilities	12	(248,939)	(38,037)
Proceeds from loan from immediate holding company	12	67,586,486	4,709,742
Repayment of loans from immediate holding company	12	(59,380,560)	-
Proceeds from loan from a shareholder	12	111,144	3,364,870
Repayment of loan from a shareholder	12	(373,500)	(4,276,128)
Proceeds from loans from fellow subsidiaries	12	64,243,482	-
Repayment of loans from fellow subsidiaries	12	-	(26,590,040)
Net cash generated from/(used in) financing activities		<u>\$ 70,029,125</u>	<u>\$ (24,969,403)</u>
Net (decrease)/increase in cash and cash equivalents		\$ (1,363,916)	\$ 2,150,107
Cash and cash equivalents at 1 January		<u>8,330,531</u>	<u>6,180,424</u>
Cash and cash equivalents at 31 December		<u>\$ 6,966,615</u>	<u>\$ 8,330,531</u>

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

The notes on pages 12 to 39 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Material 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 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 and a new HKFRS that are first effective or available for early adoption for the current accounting period of the company. None of these have an material 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 20).

1 Material accounting policies (continued)

(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 company incurred a loss of \$85,151,103 for the year ended 31 December 2023 and, as of that date, the company's current liabilities exceeded its current assets by \$76,018,512 and it was in net liabilities of \$73,863,103. Notwithstanding the above, the financial statements have been prepared on a going concern on the basis that Wipro Limited, the ultimate holding company, has confirmed that it will provide sufficient financial support to the company as is necessary to maintain the company as a going concern and to enable it to meet its liabilities as and when they fall due for the foreseeable future.

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.

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.

1 Material accounting policies (continued)

(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 Material 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

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. The current portion of long-term lease liabilities is determined as principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

1 Material 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 to reduce the carrying amount of the 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.

1 Material 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 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.

Borrowing costs are expensed in the period in which they are incurred.

1 Material 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.

Defined benefit plan obligations

The company's net obligation in respect of Long Service Payments ("LSP") under the Hong Kong Employment Ordinance, which is the company's only defined benefit plan, is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligation is based on projected unit credit method.

Remeasurements arising from defined benefit plan, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plan are recognised in profit or loss.

1 Material accounting policies (continued)

(I) 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 Material 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 Material 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 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:

	2023	2022
Disaggregated by geographical location of the customers		
Hong Kong	\$ 87,605,367	\$ 149,719,857
Singapore	14,596,886	2,015,546
United Kingdom	3,006,598	5,132,214
Thailand	2,222,417	1,194,712
Others	1,647,764	2,321,701
	<u>\$ 109,079,032</u>	<u>\$ 160,384,030</u>

As the company does not have any remaining performance obligation that has an original expected duration of longer than one year, the company applies expedient in paragraph 121(a) of HKFRS 15 to its service income and does not disclose information about revenue expected to be recognised in the future arising from contracts with customers in existence at the end of the reporting period.

3 Other net income

	2023	2022
Exchange (loss)/gain, net	\$ (1,112,180)	\$ 5,979,976
Support service revenue received/receivable from a shareholder	4,206,629	9,729,879
Interest income from group companies (including a shareholder)	2,096,635	2,925,189
Other miscellaneous gain/(loss)	162,682	(43,699)
	<u>\$ 5,353,766</u>	<u>\$ 18,591,345</u>

4 Loss before taxation

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

	2023	2022
(a) Staff costs		
Salaries, wages and other benefits	\$ 162,404,309	\$ 182,602,477
Expenses recognised in respect of LSP (note 15)	381,091	-
Contributions to Mandatory Provident Fund	5,112,440	5,690,303
Employment Support Scheme subsidy from the Hong Kong government	-	(3,433,746)
	<u>\$ 167,897,840</u>	<u>\$ 184,859,034</u>

4 Loss before taxation (continued)

During the year ended 31 December 2022, the company successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region of the People's Republic of China. The purpose of the funding was to provide financial support to employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the company was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

Included in salaries, wages and other benefits is an amount of \$3,064,571 (2022: \$4,328,078) related to expenses incurred for restricted stock units granted to the employees by Wipro Limited, the ultimate holding company. The restricted stock units were granted at the discretion of Wipro Limited and the expenses in connection with such grants were fully recharged to the company.

(b) Finance costs	2023	2022
Interest on intercompany loans (including loan from a shareholder)	\$ 3,003,240	\$ 630,838
Interest on other intercompany balances (including amount due to a shareholder)	116,224	92,768
Interest on lease liabilities (note 12)	305,943	38,037
	<u>\$ 3,425,407</u>	<u>\$ 761,643</u>
(c) Other items	2023	2022
Auditor's remuneration	\$ 671,843	\$ 570,052
Depreciation (note 7)		
- Owned property, plant and equipment	1,148,128	633,100
- Right-of-use-assets	2,570,043	2,328,812
	<u>2,570,043</u>	<u>2,328,812</u>

5 Income tax

(a) Taxation charged to profit or loss:

	2023	2022
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>\$ 7,744,664</u>

No Hong Kong Profits Tax has been provided for the years ended 31 December 2023 and 2022 as the company sustained a loss for taxation purpose for the current and prior years.

5 Income tax (continued)

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

	2023	2022
Loss before taxation	\$ (85,151,103)	\$ (34,172,438)
Notional tax on loss before taxation	\$ (14,049,932)	\$ (5,638,452)
Tax effect of non-deductible expenses	1,169,349	119,394
Tax effect of non-taxable income	(345,945)	(482,656)
Tax effect of unrecognised temporary differences	(29,718)	(108,735)
Tax effect of unrecognised tax losses	13,256,246	6,110,449
Reversal of tax losses recognised in the prior years	-	7,744,664
Actual tax expense	\$ -	\$ 7,744,664

(c) Deferred tax

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

	<i>Future benefits of tax losses</i>	<i>Depreciation in excess of the related depreciation allowances</i>	<i>Total</i>
Deferred tax arising from:			
At 1 January 2022	\$ (7,172,513)	\$ (572,151)	\$ (7,744,664)
Charged to profit or loss	<u>7,172,513</u>	<u>572,151</u>	<u>7,744,664</u>
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

In accordance with the accounting policy set out in note 1(l), the company has not recognised deferred tax assets in respect of cumulative tax losses of \$164,067,514 (2022: \$83,726,630) and deductible temporary differences arising from property plant and equipment of \$3,018,313 (2022: \$2,942,158) as it is not probable that future taxable profits against which the losses and deductible temporary differences can be utilised will be available. The tax losses do not expire under current tax legislation.

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:

	<i>2023</i>		<i>2022</i>
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 2022	\$ 5,912,718	\$ 778,467	\$ 7,962,939	\$ 10,254,600	\$ 24,908,724
Additions	-	-	1,107,054	-	1,107,054
At 31 December 2022 and 1 January 2023	\$ 5,912,718	\$ 778,467	\$ 9,069,993	\$ 10,254,600	\$ 26,015,778
Additions	3,031,855	-	874,415	8,374,506	12,280,776
Disposals	(5,912,718)	-	(81,003)	(10,254,600)	(16,248,321)
At 31 December 2023	\$ 3,031,855	\$ 778,467	\$ 9,863,405	\$ 8,374,506	\$ 22,048,233
Accumulated depreciation and accumulated impairment loss:					
At 1 January 2022	\$ (5,799,546)	\$ (619,485)	\$ (6,873,340)	\$ (7,986,983)	\$ (21,279,354)
Charge for the year	(81,490)	(73,964)	(854,382)	(1,952,076)	(2,961,912)
At 31 December 2022 and 1 January 2023	\$ (5,881,036)	\$ (693,449)	\$ (7,727,722)	\$ (9,939,059)	\$ (24,241,266)
Charge for the year	(522,351)	(55,169)	(790,370)	(2,350,281)	(3,718,171)
Disposals	5,900,130	-	81,003	10,195,713	16,176,846
Impairment loss	(2,528,598)	-	(1,426,316)	-	(3,954,914)
At 31 December 2023	\$ (3,031,855)	\$ (748,618)	\$ (9,863,405)	\$ (2,093,627)	\$ (15,737,505)
Net book value:					
At 31 December 2023	\$ -	\$ 29,849	\$ -	\$ 6,280,879	\$ 6,310,728
At 31 December 2022	\$ 31,682	\$ 85,018	\$ 1,342,271	\$ 315,541	\$ 1,774,512

During the year ended 31 December 2023, the company was loss-making and therefore management assessed the recoverable amounts of its property, plant and equipment. As a result, leasehold improvements and furniture and fixtures with carrying amounts of \$2,528,598 and \$1,426,316, respectively, were fully impaired with reference to the aggregate recoverable amount of \$Nil. The estimates of the recoverable amounts were based on the assets' fair value less costs of disposal, in which management assessed that these assets have minimal resale value.

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	2023 \$	2022 \$
Properties leased for own use, carried at depreciated cost	(i)	6,280,879	315,541
Office equipment, carried at depreciated cost	(ii)	-	219,762
		<u>6,280,879</u>	<u>535,303</u>

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

	2023 \$	2022 \$
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	2,350,281	1,952,076
Office equipment	219,762	376,736
	<u>2,570,043</u>	<u>2,328,812</u>
Interest on lease liabilities (note 4(b))	305,943	38,037
Expense relating to short-term leases and other leases not capitalised	423,885	43,584

During the year, additions to right-of-use assets were \$8,374,506 (2022: \$Nil). This amount primarily related to the capitalised lease payments payable under a new tenancy agreement.

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 3 years. 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 from/to immediate holding company, fellow subsidiaries, a shareholder and ultimate holding company

The amounts due from/to immediate holding company, fellow subsidiaries and a shareholder are unsecured, interest-bearing at 0.85% plus interbank offered rate of relevant currency (2022: 4.75% plus movement in London Interbank Offered Rate ("LIBOR")) per annum and recoverable/repayable on demand, except for an aggregate amount of \$808,128 (2022: \$ Nil due from these group companies and an aggregate amount of \$1,049,083 (2022: \$ 1,299,685) due to these group companies which are unsecured, interest-free and recoverable/repayable on demand.

The amounts due from/to ultimate holding company are unsecured, interest-free and recoverable/repayable on demand.

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

Loans to/from immediate holding company, a shareholder and fellow subsidiaries are unsecured, interest-bearing at 0.85% plus interbank offered rate of relevant currency (2022: 4.75% plus movement in LIBOR) per annum and recoverable/repayable on demand.

10 Trade and other receivables and contract assets

	2023	2022
Trade receivables	\$ 5,992,807	\$ 9,869,818
Contract assets	9,190,725	15,951,000
	<hr/>	<hr/>
	\$ 15,183,532	\$ 25,820,818
Other receivables, deposits and prepayments	4,184,565	6,400,807
	<hr/>	<hr/>
	19,368,097	32,221,625
Less: Non-current portion of deposits	(1,188,719)	-
	<hr/>	<hr/>
	<u>\$ 18,179,378</u>	<u>\$ 32,221,625</u>

Trade and other receivables are expected to be recovered or recognised as expenses within one year. Contract assets are recognised when revenue arising from incomplete POs exceed the receipts from the customers. Details on the company's credit policy are set out in note 16(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 as at 31 December 2023 of \$48,910 (2022: \$111,609) represent deferred revenue not yet recognised or pending customer acceptance and will be recognised as revenue within one year.

Movements in contract liabilities

	2023 \$	2022 \$
Balance at 1 January	111,609	1,136,312
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(111,609)	(1,136,312)
Increase as a result of billing in advance for services not yet provided or pending customer acceptance	48,910	111,609
Balance at 31 December	<u>48,910</u>	<u>111,609</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 2022	\$ 3,590,314	\$ 27,258,055	\$ 27,179,864	\$ 2,743,438	\$ 60,771,671
Changes from financing cash flows:					
Proceeds from loan from immediate holding company	-	4,709,742	-	-	4,709,742
Proceeds from loan from a shareholder	3,364,870	-	-	-	3,364,870
Repayment of loan from a shareholder	(4,276,128)	-	-	-	(4,276,128)
Repayment of loans from fellow subsidiaries	-	-	(26,590,040)	-	(26,590,040)
Repayment of lease liabilities	-	-	-	(2,139,810)	(2,139,810)
Interest paid on lease liabilities	-	-	-	(38,037)	(38,037)
Total changes from financing cash flows	\$ (911,258)	\$ 4,709,742	\$ (26,590,040)	\$ (2,177,847)	\$ (24,969,403)
Exchange adjustments	\$ (438,262)	\$ (1,542,170)	\$ 77,722	\$ -	\$ (1,902,710)
Other changes:					
Intercompany balances reclassification (note (i))	(141,867)	-	-	-	(141,867)
Interest expense on loans from group companies (note 4(b))	32,496	21,118	577,224	-	630,838
Interest income on loans to group companies (note (ii))	(1,636,290)	-	(617,362)	-	(2,253,652)
Interest on lease liabilities (note 4(b))	-	-	-	38,037	38,037
Total other changes	\$ (1,745,661)	\$ 21,118	\$ (40,138)	\$ 38,037	\$ (1,726,644)
At 31 December 2022	\$ 495,133	\$ 30,446,745	\$ 627,408	\$ 603,628	\$ 32,172,914

12 Reconciliation of liabilities arising from financing activities (continued)

	<i>Loan from/(to) 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 2023	\$ 495,133	\$ 30,446,745	\$ 627,408	\$ 603,628	\$ 32,172,914
Changes from financing cash flows:					
Proceeds from loan from immediate holding company	-	67,586,486	-	-	67,586,486
Proceeds from loan from a shareholder	111,144	-	-	-	111,144
Repayment of loan from a shareholder	(373,500)	-	-	-	(373,500)
Proceeds from loans from fellow subsidiaries	-	-	64,243,482	-	64,243,482
Repayment of loans from immediate holding company	-	(59,380,560)	-	-	(59,380,560)
Repayment of lease liabilities	-	-	-	(1,908,988)	(1,908,988)
Interest paid on lease liabilities	-	-	-	(248,939)	(248,939)
Total changes from financing cash flows	\$ (262,356)	\$ 8,205,926	\$ 64,243,482	\$ (2,157,927)	\$ 70,029,125
Exchange adjustments	\$ 682	\$ 1,016,516	\$ (137,477)	\$ -	\$ 879,721
Other changes:					
Interest expense on loans from group companies (note 4(b))	32,171	1,560,208	1,410,861	-	3,003,240
Interest income on loans to group companies (note (ii))	(274,888)	(12,518)	(44,393)	-	(331,799)
Interest on lease liabilities (note 4(b))	-	-	-	305,943	305,943
Intercompany balances reclassification (note (i))	-	(5,238)	(575,173)	-	(580,411)
Increase in lease liabilities arising from entering into a new lease during the year	-	-	-	8,117,098	8,117,098
Total other changes	\$ (242,717)	\$ 1,542,452	\$ 791,295	\$ 8,423,041	\$ 10,514,071
At 31 December 2023	\$ (9,258)	\$ 41,211,639	\$ 65,524,708	\$ 6,868,742	\$ 113,595,831

12 Reconciliation of liabilities arising from financing activities (continued)

Notes:

- (i) During the years ended 31 December 2023 and 2022, certain amounts due to group companies were reclassified from/to loans from group companies to reflect the nature of the balances more relevantly.
- (ii) Certain interest income on loans to group companies is used to partially settle the loans from group companies (including a shareholder).

Total cash outflow for leases

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

	2023	2022
	\$	\$
Within operating cash flows	423,885	43,584
Within financing cash flows	2,157,927	2,177,847
	<u>2,581,812</u>	<u>2,221,431</u>

The above amounts represent lease rentals paid.

13 Lease liabilities

The following table shows the remaining contractual maturities of the company's lease liabilities at the end of the reporting period:

	2023		2022	
	<i>Present value of the lease payments</i>	<i>Total lease payments</i>	<i>Present value of the lease payments</i>	<i>Total lease payments</i>
	\$	\$	\$	\$
Within 1 year	2,946,175	3,256,800	603,628	627,172
After 1 year but within 2 years	3,115,927	3,256,800	-	-
After 2 years but within 5 years	806,640	814,200	-	-
	<u>6,868,742</u>	<u>7,327,800</u>	<u>603,628</u>	<u>627,172</u>
Less: total future interest expenses		(459,058)		(23,544)
Present value of lease liabilities		<u>6,868,742</u>		<u>603,628</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 changes in equity.

(b) Issued share capital

	2023		2022	
	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.

(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 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.

The company's capital structure is regularly reviewed and managed by Wipro Limited, the ultimate holding company of the group in which the company belongs.

15 Long service payment liabilities

The company operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. Employees that have been employed under the Hong Kong Employment Ordinance continuously for at least five years are also entitled to LSP under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at \$22,500) and the years of service, with an overall cap of \$390,000 per employee.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date i.e. 1 May 2025. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

It is the company's policy that the accrued benefits derived from the company's contribution to MFP scheme will not be used to offset the LSP obligation upon the settlement. Currently, the company does not have any separate funding arrangement in place to meet its LSP obligation.

The company has accounted for the LSP payable as disclosed in note 1(k). The present value of unfunded obligations included in other payables and its movements are as follows:

	2023
At 1 January 2023	\$ -
Expenses recognised in profit or loss:	
Current service cost	79,336
Interest cost	10,436
Past service cost	291,319
	<hr/>
At 31 December 2023	<u>\$ 381,091</u>

A portion of the LSP payable is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, future changes in actuarial assumptions and market conditions.

The weighted average duration of the defined benefit obligations is 19.35 years.

15 Long service payment liabilities (continued)

Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2023
Discount rate	3.58%
Future salary increment	6.75%

The below analysis shows how the LSP payable would have increased/(decreased) as a result 1% change in the significant actuarial assumptions:

	2023	
	Increase in 1%	Decrease in 1%
	\$	\$
Discount rate	(59,159)	73,909

The change in future salary increment would not result in significant change in LSP payable as most of the employees' salaries exceeded the cap salary of LSP (i.e. \$22,500).

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

16 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 and other receivables, contract assets and amounts due from and loans to group companies (including a shareholder). The company has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis.

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

The company is not exposed to any significant concentration risk in trade and other receivables.

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

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 and contract assets at an amount equal to lifetime ECLs. 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.

The following table provides information about the company's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2023 and 2022:

	2023	2022
Current (not past due)	\$ 14,881,061	\$ 25,742,748
1 - 30 days past due	302,471	-
31-60 days past due	-	78,070
	<u>\$ 15,183,532</u>	<u>\$ 25,820,818</u>

As at 31 December 2023 and 2022, no loss allowance was recognised as the company assessed that there was no material ECLs based on the above ageing portfolio. The company also considered current and forecast economic conditions in its assessment.

(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 approximately equal to their carrying amounts, except lease liabilities of which the payment pattern and future interests are disclosed in note 13.

(c) Interest rate risk

The company's interest rate risk arises from amounts due from/(to) and loans to/(from) the ultimate holding company, 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. Notes 8 and 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.

As at 31 December 2023, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the company's loss before taxation and total deficit by approximately \$864,600 (2022: decrease/increase the company's loss after taxation and increase/decrease total equity by approximately \$56,764).

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

(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"), Swiss Franc ("CHF"), Thai baht ("THB") and Indian Rupee ("INR").

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, CHF, THB and INR, 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.

	2023			
	EUR	THB	CHF	INR
Amounts due to fellow subsidiaries	\$ (451,801)	\$ -	\$ (320,503)	\$ (1,643,711)
Loan from immediate holding company	(41,211,639)	-	-	-
Amount due to a shareholder	(5,061,797)	-	-	-
Net exposure to currency risk	<u>\$ (46,725,237)</u>	<u>\$ -</u>	<u>\$ (320,503)</u>	<u>\$ (1,643,711)</u>
	2022			
	EUR	THB	CHF	INR
Loans from fellow subsidiaries	\$ -	\$ (592,543)	\$ -	\$ -
Amounts due to fellow subsidiaries	(417,746)	-	(243,502)	(1,871,395)
Amount due from immediate holding company	5,259	-	-	-
Loan from immediate holding company	(30,446,745)	-	-	-
Net exposure to currency risk	<u>\$ (30,859,232)</u>	<u>\$ (592,543)</u>	<u>\$ (243,502)</u>	<u>\$ (1,871,395)</u>

16 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 accumulated losses/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.

	2023		2022	
	<i>Increase/ (decrease) in foreign exchange rates</i>	<i>(Increase)/ decrease in loss after taxation and accumulated losses</i>	<i>Increase/ (decrease) in foreign exchange rates</i>	<i>(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits</i>
EUR	10% (10%)	\$ (4,166,344) 4,166,344	10% (10%)	\$ (2,576,746) 2,576,746
THB	10% (10%)	\$ - -	10% (10%)	\$ (49,477) 49,477
CHF	10% (10%)	\$ (32,050) 32,050	10% (10%)	\$ (20,332) 20,332
INR	10% (10%)	\$ (164,371) <u>164,371</u>	10% (10%)	\$ (156,261) <u>156,261</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 2022.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2023 and 2022.

17 Commitments

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

As at 31 December 2023, the company has committed to invest RMB1,000,000 (equivalent to approximately \$1,112,000) into a wholly-owned subsidiary, Capco Consulting Services (Guangzhou) Limited. The subsidiary was incorporated on 16 August 2019 in Mainland China and approved for an operating period of 50 years, with a registered share capital of RMB1,000,000. The principal activity of the subsidiary will be provision of business consulting services. The subsidiary has not commenced operation yet and the registered share capital remained unpaid as at 31 December 2023.

18 Material related party transactions

(a) Transactions with key management personnel

All members of key management personnel are directors of the company, and their emoluments are 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:

	2023	2022
Consultancy service fee income receivable/received from group companies	\$ 10,536,996	\$ 10,663,608
Support service revenue receivable/received from a shareholder	4,206,629	9,729,879
Management fee payable/paid to a shareholder	7,049,678	7,834,557
Reimbursements of staff costs to group companies	5,094,832	2,868,104
Interest expense on loans from group companies and intercompany balances	3,119,464	723,606
Interest income from group companies	2,096,635	2,925,189
Delivery centre expense to fellow subsidiaries	2,663,230	2,166,667
Mobility professional fees recharged from a shareholder	441,813	104,753
	<u>441,813</u>	<u>104,753</u>

19 Immediate and ultimate controlling party

At 31 December 2023, the directors consider the immediate parent and ultimate controlling party of the company to be The Capital Markets Company BVBA and Wipro Limited, which are incorporated in Belgium and India respectively. Both The Capital Markets Company BVBA and Wipro Limited produce financial statements available for public use.

20 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows</i> and HKFRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.