edvance

Edvance International Holdings Limited
安領國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8410

ANNUAL REPORT
2018/19

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities trade on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Edvance International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

Corporate Information	3
Five Years Financial Summary	4
Chairman's Statement	6
Management Discussion and Analysis	7
Biographical Details of Directors and Senior Management	15
Corporate Governance Report	22
Environmental, Social and Governance Report	43
Directors' Report	51
Independent Auditor's Report	65
Consolidated Statement of Profit or Loss and Other Comprehensive Income	72
Consolidated Statement of Financial Position	73
Consolidated Statement of Changes in Equity	75
Consolidated Statement of Cash Flows	76
Notes to the Consolidated Financials Statements	78
Glossary of Technical Terms	160

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yui Ting Raymond *(Chairman)*
Mr. Lee Francis Sung Kei
Mr. Von John
Mr. Lam Tak Ling

Non-executive Directors

Dr. Tang Sing Hing Kenny
Mr. Lo Wai Ho Ashley

Independent non-executive Directors

Mr. Yu Kwok Chun Raymond
Mr. Ng Tsz Fung Jimmy
Mr. Chan Siu Ming Simon

AUDIT COMMITTEE

Mr. Ng Tsz Fung Jimmy *(Chairman)*
Mr. Chan Siu Ming Simon
Mr. Yu Kwok Chun Raymond

REMUNERATION COMMITTEE

Mr. Yu Kwok Chun Raymond *(Chairman)*
Mr. Chan Siu Ming Simon
Mr. Ng Tsz Fung Jimmy
Mr. Liu Yui Ting Raymond

NOMINATION COMMITTEE

Mr. Chan Siu Ming Simon *(Chairman)*
Mr. Ng Tsz Fung Jimmy
Mr. Yu Kwok Chun Raymond
Mr. Liu Yui Ting Raymond

INVESTMENT COMMITTEE

(established on 17 July 2018)

Mr. Liu Yui Ting Raymond *(Chairman)*
Dr. Tang Sing Hing Kenny
Mr. Ng Tsz Fung Jimmy

COMPLIANCE OFFICER

Mr. Von John

COMPANY SECRETARY

Ms. Wong Man Shan Joyce *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Von John
Ms. Wong Man Shan Joyce

REGISTERED OFFICE

PO Box 1350
Clifton House 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, Montery Plaza
15 Chong Yip Street
Kwun Tong, Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

Locke Lord
21/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

COMPLIANCE ADVISER

Titan Financial Services Limited
Suites 3201-02, 32/F
COSCO Tower, Grand Millennium Plaza
183 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Building
181 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.edvancesecurity.com

STOCK CODE

8410

FIVE YEARS FINANCIAL SUMMARY

A summary of the Published results, assets and liabilities of the Group for the last five financial periods are set out as follows:

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**369,410**	302,323	222,060	176,999	125,459
Gross profit	**98,495**	84,756	61,528	53,193	37,544
Profit before taxation	**33,034**	23,047	585	17,960	6,722
Profit (Loss) for the year attributable to					
– owners of the Company	**26,174**	18,182	(5,414)	11,990	5,721
– non-controlling interests	**–**	–	3,124	2,702	(643)
Profit (Loss) for the year	**26,174**	18,182	(2,290)	14,692	5,078
Excluding restated non-recurring listing related expenses (note)	**–**	1,423	17,665	–	–
Normalized profit for the year attributable to owners of the Company	**26,174**	19,605	12,251	11,990	5,721

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**81,047**	72,551	36,409	22,309	13,361
Current assets	**234,303**	197,384	118,201	83,905	50,200
Non-current liabilities	**(60,530)**	(43,919)	(22,532)	(13,842)	(15,972)
Current liabilities	**(134,974)**	(124,036)	(122,883)	(80,304)	(46,830)
Net current assets (liabilities)	**99,329**	73,348	(4,682)	3,601	3,370
Net assets	**119,846**	101,980	9,195	12,068	759

Note: Please refer to: (a) "profit for the year attributable to owners of the Company" in Management Discussion and Analysis of this report; (b) note 11 to the audited consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY (continued)

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CASH FLOWS					
Net cash generated from (used in) operating activities	**23,798**	11,402	(1,358)	12,580	6,103
Net cash used in investing activities	**(8,151)**	(33,887)	(5,897)	(9,034)	(1,510)
Net cash (used in) from financing activities	**(4.484)**	66,159	13,842	2,135	(2,704)
Net increase in cash and cash equivalents	**11,163**	43,674	6,587	5,681	1,889
Cash and cash equivalents at beginning of the year	**62,391**	18,499	12,494	6,862	4,902
Effect of exchange rate changes	**171**	218	(582)	(49)	71
Cash and cash equivalents at end of the year	**73,725**	62,391	18,499	12,494	6,862

	Year ended 31 March				
	2019	2018	2017	2016	2015
FINANCIAL RATIOS #					
Net profit margin *	**7.1%**	6.5%	5.5%	6.8%	4.6%
Return on equity *	**21.8%**	19.2%	133.2%	118.3%	320.1%
Return on total assets *	**8.3%**	7.3%	7.9%	11.3%	9.0%
Current ratio	**1.7**	1.6	1.0	1.0	1.1
Quick ratio	**1.7**	1.5	0.9	0.9	1.0
Gearing ratio	**22.1%**	20.9%	295.5%	101.8%	739.7%
Debt to equity ratio	**Net Cash**	Net Cash	94.3	Net Cash	Net Cash
Interest coverage *	**52.1**	46.5	15.0	27.5	26.6
Average inventory turnover days	**12**	12	19	24	19
Average trade receivables turnover days	**85**	84	81	61	55
Average trade payables turnover days	**45**	52	61	54	35

* Excluding non-recurring listing related expenses

\# Please refer to the prospectus dated 31 March 2017 (the "Prospectus") for definition.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of the Company, I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2019 ("FY2019").

During FY2019, the Group's revenue and profit for the year reached a new high. Our revenue increased by approximately HK$67.1 million or 22.2% from approximately HK$302.3 million during the year ended 31 March 2018 ("FY2018") to approximately HK$369.4 million in FY2019. Our profit for the year increased by approximately HK$8.0 million or 44.0% from approximately HK$18.2 million in FY2018 to approximately HK$26.2 million in FY2019. Our Group continues to perform strongly and reflects that the Group continues to be a significant leading player in the Hong Kong IT Security solution market.

The growing volume in our core businesses in Hong Kong and China and high rate of recurrent businesses with our existing customers are the primary drivers of sales success this year. The increased business transactions ran through a wider network of resellers, essentially broadening the reach of the Group across the market.

Aside from improving growth in business volume, the Group has also initiated numerous initiatives aimed at enhancing our overall capabilities in presales, service delivery and support teams throughout the year, focusing primarily on the soft skills to better manage the overall sales cycle from presales to post sales delivery and after sales support, enhancing overall satisfaction of the customer.

In respect of marketing, we have focused more in market promotions with our channel resellers and through them, reaching their end users to promote the products and services of the Group. Again, this is inline with our longer term objective to make our product and services more widely available to the market.

Looking ahead, we believe the cybersecurity market will continue to grow in Asia. The Group is well positioned to capture the growing business opportunities in the IT Security Solutions market in the Asia Pacific region by delivering our existing IT Security Solution to a ready market, introduce emerging IT Security Solutions to address evolving IT security challenges. Green Radar has achieved initial operational readiness and is making initial headway into the market via a different business approach. All of these ride on our dedicated team that delivers quality services.

Finally, on behalf of the Board, I would like to once again express my sincere thanks to all of our business partners, customers and suppliers for their ongoing support, as well as our dedicated staff for their strong contributions throughout this challenging year.

LIU Yui Ting Raymond
Chairman and Executive Director

Hong Kong, 17 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded satisfactory business performance in FY2019. This year, the Group made numerous provisions for a demanding market and continuous looked to increase our cyber security solution offerings, enhance our technical capabilities as well as to improve our manageability.

On the one hand, the Group continued to come into new distributor relationship with emerging vendors (three distributorships were agreed during the financial year), while the Group also incorporated a subsidiary Edvance Information Technology Development (Shenzhen) Co. Ltd in the Greater Bay Area of the PRC in Jan 2019. The subsidiary would be actively seeking for IT security products from the PRC to be offered through integration as a solution on our platform, making them available to our clients.

The Group also established Green Radar in Hong Kong and Singapore in Jan 2019. Essentially a cloud based "security-as-a-service" provider focusing on email & endpoint "detection & response" security protection by applying big data, global threat intelligence, artificial intelligence technology, together with the Group's expertise on security. Its aim is to make cutting edge cybersecurity solutions available to the market in a cost-effective rental manner, allowing smaller enterprises to also enjoy the benefits of advance cybersecurity protection.

In making its preparation to enhance the overall readiness for the Group to continue to grow its business, management has dedicated attention to bringing up the skillset of the technical team, especially in the soft skills aspects, resulting in better customer satisfaction in our deliverables from presales to project delivery to support experience this year. The Group would endeavour to continue these exercises to encourage continuous development.

The previously deployed ERP system has undergone continuous enhancement to integrate further business modules for different aspects of our business, to further enhance overall efficiency, bringing in established procedures, performance measures, exception handling into our management framework. Thus enabling further management intelligence and informed decisions.

All in all, FY2019 was a successful year for the Group. While the financial figures were positive and sound, the Group invested in different business model as well as quality improvement measures to ensure organic and healthy growth for the long run.

OUTLOOK AND PROSPECTS

In the last one year, it can be seen that enterprises are evolving and adapting to new trends in conducting their business activities. DevOps and cloud services are gaining traction locally, while IoT concepts are being drawn into their business plans. All these would mean new challenges from a cybersecurity perspective.

Enterprises are already aware of the impact from traditional cyberthreats. However, there is also increased interests in these emerging techniques and their implication from the security standpoint. As enterprises open up, so too would the evolving cybersecurity challenges that come with it.

Cybercrimes are catching on quickly and getting increasingly adaptive and sophisticated, yet the industry is faced with a lack of cybersecurity experts and when available is generally expensive to deploy. This all points to a high industry demand for better cybersecurity products and services with minimal overhead.

In this climate, the Group continues to see strong interest in cyber security from the market across our key trading geographies, contributing to business growth in the short and medium term. Our business model in Green Radar aims to address some of the concerns, making available cutting-edge cybersecurity protection without the expensive costs for organizations to operate them.

As we go into 2019, we see that there are a lot of challenges in delivering effective cybersecurity solutions, and the Group made preparation to adapt to the changing market demands and capture it. Along with the other investments in place, the Group believes that these measures would continue to enhance the overall competitive position in our operating environments and contribute to our success.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK$67.1 million, or 22.2% from approximately HK$302.3 million for FY2018 to approximately HK$369.4 million for FY2019. The increase was mainly attributable to: (1) increasing market demands of cybersecurity products/services; and (2) improvement in operating results.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$13.7 million, or 16.2% from approximately HK$84.8 million for FY2018 to approximately HK$98.5 million for FY2019. The increase was in line with the increase in revenue. Our gross profit margin slightly decreased from 28.0% for FY2018 to 26.7% for FY2019.

Other income

Our other income mainly comprises of bank interest income and interest income from deposits for life insurance contracts that we purchased for our Directors and senior staffs.

Other gains and losses, net

Our other gains and losses mainly comprise of net foreign exchange gain or loss. Net foreign exchange loss of approximately HK$522,000 was incurred for FY2019, which was mainly due to fluctuation of USD and Renminbi, while net foreign exchange gain of approximately HK$637,000 was noted for FY2018.

Distribution and selling expenses

Our distribution and selling expenses increased by approximately HK$4.0 million, or 18.0% from approximately HK$22.2 million for FY2018 to approximately HK$26.2 million for FY2019. The increase was mainly attributed by the increase in sales staff cost.

Administrative and other expenses

Our administrative and other expenses decreased by approximately HK$1.9 million, or 4.7% from approximately HK$40.7 million for FY2018 to approximately HK$38.8 million for FY2019. The decrease was mainly due to the absence of listing related expenses incurred in FY2018.

Finance costs

Our finance costs slightly increased by approximately HK$0.1 million, or 20.0% from approximately HK$0.5 million for FY2018 to approximately HK$0.6 million for FY2019.

Taxation

Our taxation increased by approximately HK$2.0 million, or 40.8% from approximately HK$4.9 million for FY2018 to approximately HK$6.9 million for FY2019. The increase was mainly due to higher taxable profit in FY2019 as a result of increased gross profit.

Profit for the year attributable to owners of the Company

Our profit attributable to owners of the Company increased by approximately HK$8.0 million, or 44.0% from HK$18.2 million for FY2018 to approximately HK$26.2 million for FY2019. The increase was mainly attributed by the increase in revenue and gross profit.

As disclosed in note 11 to the audited consolidated financial statements, included in the listing related expenses, amounts of HK$40,000 and HK$241,000 for FY2018 and the years ended 31 March 2017 ("FY2017"), respectively, represented interests on bank borrowings for the purpose of the settlement of the listing expenses and were incorporated in "finance costs" on the consolidated statement of profit or loss and other comprehensive income.

As disclosed in note 11 to the audited consolidated financial statements, included in the listing related expenses, amounts of HK$1,205,000 and HK$633,000 for FY2018 and FY2017, respectively, were included in "administrative expenses" on the consolidated statement of profit or loss and other comprehensive income.

	2019 **HK$'000**	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year attributable to owner of the company	**26,174**	18,182	(5,414)
Exclude listing related expenses			
Previously reported in 2017/18 annual report	–	178	16,791
Listing related expenses included in administrative expenses	–	1,205	633
Listing related expenses included in finance cost	–	40	241
Restated listing related expenses	–	1,423	17,665
Normalised profit for the year attributable to owner of the company	**26,174**	19,605	12,251

Excluding above non-recurring listing related expenses approximately HK$1.4 million and HK$17.7 million for FY2018 and FY2017, respectively, normalised profit attributable to owners of the Company is approximately HK$19.6 million and HK$12.3 million for FY2018 and FY2017, respectively.

The Group should have recorded profit attributable to owners of the Company, which increased by approximately HK$6.6 million or 33.7% from normalised profit attributable to owners of the Company HK$19.6 million for FY2018 to approximately HK$26.2 million for FY2019.

Cash flow

The cash generated from operating activities increased significantly by HK$12.4 million from approximately HK$11.4 million in FY2018 to approximately HK$23.8 million in FY2019, representing 108.8% increment. The increase in cash generated was mainly due to increase in revenue and profit for the year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operation mainly through cash generated from our operating activities. As at 31 March 2019 and 2018, we had cash and cash equivalents of approximately HK$73.7 million and HK$62.4 million respectively. The Group's gearing ratio, which is calculated based on the total debt (defined as the sum of bank borrowings as at the respective year end divided by total equity as at the respective year end) was approximately 22.1% and 20.9% as at 31 March 2019 and 2018 respectively.

CAPITAL STRUCTURE

As at 31 March 2019, the capital structure of the Company comprised issued share capital and reserves.

COMMITMENTS

As at 31 March 2019, the Group has capital commitments of approximately HK$300,000 in respect of property and equipment contracted but not provided for.

SEGMENT INFORMATION

An analysis of the Group's revenue from operations and by geographical locations of customers is set out in note 6 of the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group has no material contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in US Dollars. The sales of the Group are predominated in Hong Kong Dollars. The Group will continue to monitor the risk related to foreign exchanges. The Group did not use any hedging contracts to engage in speculative activities during FY2019.

CHARGE ON GROUP'S ASSETS

As at 31 March 2019, the Group's bank borrowings were secured by the properties located in Singapore and life insurance contracts entered into with a bank as set out in note 33 of the consolidated financial statements.

INFORMATION ON EMPLOYEES

As at 31 March 2019, the Group had 86 employees (as at 31 March 2018: 84 employees) and most of them were working in the Hong Kong headquarters. We incurred staff costs inclusive of performance related bonus, bonus and directors' emoluments in the aggregate of approximately HK$55.8 million and HK$51.5 million for FY2019 and FY2018, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our salary review and promotional appraisal in order to attract and retain talented employees. For our sale staffs, we offer a package comprises of basic salary and performance incentive scheme.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company with actual business progress up to 31 March 2019.

Business objectives up to 31 March 2019 as set out in the Prospectus	Actual implementation plan up to 31 March 2019
Expansion and renovation of our Hong Kong headquarters	The Group completed the expansion of its headquarters which was fully operational in July 2017.
Establishment of the detection and response centre	The Group established detection and response centre which was operational in November 2018.
Upgrading our management system	The management system had been implemented in business operations and continues to enhance it.
Upgrading the network infrastructure	The Group had upgraded the network infrastructure and continues to enhance it.
Expansion of operation in Singapore as the Services Hub together with its renovation	The Group completed the expansion of its Singapore Services Hub which was operational in October 2018.
Investment in demonstration equipment	Demonstration equipments were purchased for our Group's pitching activities.
Increasing the marketing efforts	Marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc, were carried out.
Expanding our workforce	The Group employed twelve IT technical staff, nine sales staff and ten administrative staff in Hong Kong and Singapore.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on GEM on 19 April 2017 (the "Listing Date"). The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK$56.0 million will be used for the intended purposes as set out in the section headed "Business Objectives and Future Plans" of the Prospectus. Set out below is the actual use of net proceeds up from the Listing Date to 31 March 2019:

Use of proceeds	**Net proceeds from the Listing**	**Planned use of net proceeds as stated in the Prospectus up to 31 March 2019**	**Actual use of net proceeds up to 31 March 2019**	**Amount remaining**
	HK$ million	HK$ million	HK$ million	HK$ million
Expansion and renovation of Hong Kong headquarters	3.2	3.2	3.2	-
Establishment of the detection and response centre	2.4	2.4	1.7	0.7
Upgrading the management systems	3.7	2.7	3.1	0.6
Upgrading the network infrastructure	1.2	1.2	0.8	0.4
Expansion of operation in Singapore as the Services Hub together with its renovation	22.5	22.5	22.0	0.5
Investment in demonstration equipment	3.0	3.0	3.0	–
Increasing the marketing efforts	1.2	0.9	1.2	–
Expanding the workforce	16.7	11.2	13.9	2.8
General working capital	2.1	1.7	1.7	0.4
Total	56.0	48.8	50.6	5.4

For the unutilized net proceeds as at 31 March 2019, the Company intends to use them in the same manner as described in the Prospectus. The completion time of the use of the net proceeds will be determined based on the future business development of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Yui Ting Raymond (廖銳霆), aged 50, was appointed as the chairman and re-designated as an executive Director on 21 November 2016. He is one of the founders of our Group and has been a director of certain subsidiaries of the Company. Mr. Liu is responsible for the overall business development, strategic planning and major decision-making of our Group. Mr. Liu is also a shareholder and director of Success Vision International Group Limited ("Success Vision"), the controlling shareholder of the Company, which is beneficially interested in approximately 57% of the total issued share capital of the Company.

Mr. Liu has over 27 years of experience in the IT industry. Mr. Liu was an analyst programmer of PowerGen Plc, a power generation company, from August 1991 to January 1994, and he was responsible for IT application development. Mr. Liu then worked at Hewlett-Packard Hong Kong Ltd ("HP (Hong Kong)"), from October 1994 to October 2000, and he last served as a consultant responsible for managing large scale IT bids and projects implementation. He was a vice president of e2 Tech Advisory Group Limited, a subsidiary of e2-Capital (Holdings) Limited (currently known as FDG Kinetic Limited) (stock code: 378) and principally engaged in financing, securities trading and asset investments, from October 2000 to March 2001, and was responsible for managing business and technology consulting projects. He was the vice president of Ebizal Consulting (Hong Kong) Limited from April 2001 to November 2001, and he was responsible for overseeing the business and technology consulting team.

Mr. Liu graduated from University of Strathclyde in the United Kingdom with a bachelor of engineering degree in information engineering in July 1991.

Mr. Lee Francis Sung Kei (李崇基), aged 41, was appointed as the chief executive officer and an executive Director on 21 November 2016. He joined our Group in May 2004 as an associate consultant and was promoted in as the director of the product strategy and management department of Edvance Technology (HK) Limited, a subsidiary of the Company, in November 2014. He is currently responsible for the overall business development, strategic planning and major decision-making of our Group.

Mr. Lee has over 17 years of experience in the IT industry. Mr. Lee was a web master of Phoenix Travel Group, a travel agency in London, from October 2000 to February 2003, and he was primarily responsible for the analysis, design and programming of web-based applications. Mr. Lee was a technical engineer of Accenture Technology Solutions Limited, which is principally engaged in the application development, administration and software maintenance, from February 2003 to March 2004, and he was responsible for development and consulting application.

He obtained a bachelor of engineering degree in mechanical engineering from the University of London, Queen Mary and Westfield College in the United Kingdom in July 1998 and a master of science degree in business systems analysis and design from the City University in the United Kingdom in December 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Von John（黃繼明）, aged 54, was appointed as an executive Director on 21 November 2016. He joined our Group in August 2015 initially as a support business director and was promoted as a business operations director in June 2016. He is responsible for the overall business operation of our Group. Mr. Von is also the sole shareholder and the sole director of Mind Bright Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 6% of the total issued share capital of the Company.

Mr. Von has over 28 years of experience in business consulting industry. Mr. Von was a senior system developer of Vertex System Resources Limited, which is principally engaged in the provision of business process solutions for the oil and gas industry from May 1989 to September 1993, and he was responsible for the application development and project implementation. From June 1993 to December 1994, Mr. Von was a programmer analyst of Manalta Coal Ltd., which is principally engaged in coal production in Canada, and he was responsible for assisting in the development of computer applications. He was a consultant of HP (Hong Kong), from January 1995 to September 1997, and he was responsible for project implementation in ERP domain. He then joined Price Waterhouse Co., Ltd. as a senior consultant of the management consultancy services department from September 1997 to December 1998, and he was responsible for management consultancy services. He worked in IBM China/Hong Kong Limited from January 1999 to March 2001, and his last position was a consultant providing business innovation services function. He worked in Philips Electronics Hong Kong Limited from August 2002 to June 2012, and his last position was a director of supply chain modeling in consumer lifestyle. He was the director of service delivery management of VF Asia Limited from June 2012 to November 2013 and of VF Asia Pacific Sourcing S. à r. l. from November 2013 to February 2015, and he was responsible for service delivery management.

Mr. Von graduated from The University of Calgary in Canada with a bachelor of science degree in computer science in June 1989.

Mr. Lam Tak Ling（林德齡）, aged 48, was appointed as an executive Director on 21 November 2016. He joined our Group in January 2011 and he is responsible for managing the overall development of enterprise solutions.

Mr. Lam has over 21 years of experience in the IT industry. He joined HP (Hong Kong) in September 1997 and subsequently Hewlett-Packard HKSAR Ltd., ("HP (HKSAR)") and his last position prior to his departure in December 2010 was program manager.

Mr. Lam obtained a bachelor of engineering degree in computer science and a master philosophy degree in computer science from the Hong Kong University of Science & Technology in November 1995 and November 1998, respectively.

NON-EXECUTIVE DIRECTORS

Dr. Tang Sing Hing Kenny (鄧聲興), aged 50, was appointed as a non-executive Director on 21 November 2016. Mr. Tang is also the sole shareholder and the sole director of Earning Gear Inc., a substantial shareholder of the Company, which is beneficially interested in approximately 7.5% of the total issued share capital of the Company.

Dr. Tang has over 25 years of experience in the financial and securities sector. From May 1993 to July 1993, he was an executive trainee of the Bank of East Asia Limited. He was a research manager of C.A. Pacific Group, from January 1994 to February 1998, and he was responsible for the daily operation of the research department. From February 1998 to October 2008, Dr. Tang was an associate director of Tung Tai Securities Co., Ltd. He worked in Redford Asset Management Limited from November 2008 to February 2011, and his last position was the head of research and executive director. He was a vice president of the securities and asset management department of AMTD Asset Management Ltd. from January 2011 to March 2015. From June 2015 to May 2018, he worked as an executive director of Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited) (stock code: 397) and principally engaged in financial services. Dr. Tang was the responsible officer of China Hong Kong Capital Asset Management Company Limited since April 2018 to February 2019. Dr. Tang is currently the Co Founder and Chief Executive of Royston Securities Limited since March 2019.

Dr. Tang has been an independent non-executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893), a company listed on the main board of the Stock Exchange and principally engaged in sale and development of personal care products, since November 2010.

Dr. Tang obtained an associate degree of arts in general education from University of East Asia in Macau in July 1989, a bachelor of business degree in finance from Edith Cowan University in Australia in February 1993, and a doctorate degree in economics from Renmin University of China in June 2007.

Mr. Lo Wai Ho Ashley (羅偉浩), aged 54, was re-designated as a non-executive Director on 1 January 2018. He is one of the founders of our Group and has been a technology director since August 2002.

Mr. Lo has over 29 years of experience in the IT industry. Prior to joining to our Group, he was a software engineer of datap systems division of Sandwell Inc., whose principal business is the development of IT systems, from December 1989 to August 1992, and he was responsible for system development. Mr. Lo was a system engineer of epic data division of Sylogist Ltd., which is principally engaged in the development of IT systems, from September 1992 to October 1995, and he was responsible for system development. From 1999 to August 2002, Mr. Lo was a technology director of Edeas Limited, a digital agency based in Hong Kong.

Mr. Lo graduated from the University of British Columbia in Canada with a bachelor of applied science in electrical engineering in May 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Kwok Chun Raymond（余國俊）, aged 63, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our audit committee and nomination committee, and is the chairman of our remuneration committee. Mr. Yu has over 34 years of experience in IT industry. He worked at the Hongkong and Shanghai Banking Corporation Limited from January 1983 to December 1989 and he last served as project manager responsible for systems maintenance and implementation support. From January 1990 to 1992, Mr. Yu worked as the head of the information technology department of Standard Chartered Trust Group in the Hong Kong and Asia Pacific region and he was responsible for overseeing system development maintenance, support and operation activities. From 1992 to 1994, Mr. Yu worked as a program manager of Digital Equipment Corporation, which is principally engaged in the provision of implementation and supporting networked business solutions, and he was responsible for managing large systems integration projects. Mr. Yu was a senior consultant of IBM Hong Kong Limited from 1994 to 1995, and he was responsible for development of consulting services business in the banking sector in China. From May 1995 to August 2000, Mr. Yu was a managing consultant of HP (HKSAR) and was primarily responsible for managing consulting services businesses for the financial services industry. From 2000 to 2002, Mr. Yu was a chief information officer of Saggio Asia Pacific Limited, which is principally engaged in sale of office supplies and equipment, and he was responsible for implementation of an e-procurement system across the region. From March 2003 to October 2006, Mr. Yu was a senior managing consultant of HP (HKSAR), and he was primarily responsible for managing consulting services businesses for the financial services industry. From May 2007 to June 2012, Mr. Yu worked at the Hongkong and Shanghai Banking Corporation Limited and, he last served as a senior manager of the change delivery department and he was responsible for business process re-engineering and standardisation.

Mr. Yu graduated from McGill University in Canada with a bachelor's degree in commerce, majoring in management information systems in June 1982. Mr. Yu was the honorary secretary of the Hong Kong Computer Society from 2001 to 2007.

Mr. Ng Tsz Fung Jimmy（吳子豐）, aged 56, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our nomination committee and remuneration committee, and is the chairman of our audit committee.

Mr. Ng has approximately 31 years of experience in finance and accounting. He worked as an auditor of Kennic L.H. Lui & Co., from August 1988 to January 1989. From January 1989 to March 1993, Mr. Ng worked as a senior manager of Lewis Luk & Co., which is a legal firm and he was primarily responsible for human resources, finance and administration. Mr. Ng was a chief finance officer of GEM Group Consultant Limited from May 1993 to April 1999, and he was responsible for accounting, company secretary, auditing, administration and human resources management. From May 1999 to April 2001, Mr. Ng was a general manager of Tianjin Viction (Group) Company（天津）維信集團有限公司）, and Mr. Ng was responsible for human resources management and financial management, and the sales of the import and export businesses. From May 2001 to May 2002, Mr. Ng worked as a chief finance officer of GEM Group Consultant Limited, and he was responsible for providing advices on financial matters, company reorganisation, human resources management and corporate management. From March 2003 to April 2005, Mr. Ng worked as a vice president of G&A Manufacturing Company Limited, which is principally engaged in the garment industry, and he was responsible for the finance, human resources management and business operation. From May 2005 to December 2006, Mr. Ng worked at Goldsland Holdings Company Limited*（廣新控股有限公司）and his last position held was chief investment officer, and he was responsible for managing internal affairs of the company and all related issues including due diligence on potential investment prospects of the company. From December 2006 to September 2014, Mr. Ng was the chief operating officer of GEM Group Consultant Limited. From September 2014 to January 2018, Mr. Ng was the general manager of the control management division of Bridgestone Aircraft Tire Co (Asia) Limited.

Mr. Ng obtained a master degree in professional accounting from The Hong Kong Polytechnic University in December 2005. He became a fellow member of The Association of Chartered Certified Accountants in November 2001 and is a non-practising member of Hong Kong Institute of Certified Public Accountants.

Mr. Chan Siu Ming Simon（陳兆銘）, aged 51, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our remuneration committee and audit committee, and is the chairman of our nomination committee.

Mr. Chan has over 17 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in November 2003. He joined Baker Mckenzie as a trainee solicitor in September 2001 and became an associate from September 2003 to January 2008. Mr. Chan joined Langham Hospitality Group as the vice president of the legal department in January 2008 and become the head of the legal department since 26 February 2019.

Mr. Chan graduated from The University of British Columbia in Canada with a bachelor of applied science degree in electrical engineering in May 1991. He further obtained a master of business administration degree from University of Surrey in the United Kingdom through distance learning in October 1998. He was awarded a postgraduate certificate in laws from The University of Hong Kong in June 2001, and earned a bachelor of laws degree from The Manchester Metropolitan University in the United Kingdom through part-time study in September 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management

Mr. Tang Sui Cheong (鄧瑞昌), aged 50, joined our Group in January 2015. He is a technical services director and he is responsible for overseeing the overall technical services of our Group.

Mr. Tang has 27 years of experience in the IT industry. Mr. Tang worked in Hospitality Data Resources Ltd., from August 1991 to December 1995, and his last position was systems support manager responsible for testing, quality assurance programming enhancements, system installation and implementation. He was a technical manager of City Smart Limited, which is a system consultant and integrator, from July 1996 to March 1999, and he was primarily responsible for supervision of the implementation of smart card system. He was a development manager of Logistics Information Network Enterprise (HK) Limited, from January 2002 to December 2003. He was a contract project manager of InfoTech Services (Hong Kong) Ltd from February 2004 to November 2004, and he participated in projects at the Housing Department of the Hong Kong Government. He joined HP (Hong Kong) in October 2005 and subsequently HP (HKSAR) and his last position prior to his departure in December 2014 was customer project/ program manager.

Mr. Tang obtained a bachelor of science degree from The Open Learning Institute of Hong Kong in December 1994.

Ms. Law Wai Chi (羅偉慈), aged 39, joined our Group in December 2003. She is an internal control and compliance director and she is responsible for managing internal compliance matters of our Group.

Ms. Law has over 14 years of experience in information technology industry. She was a sales engineer of Flytech Technology (HK) Ltd., which is principally engaged in sale of point-of-sales system, from June 2002 to September 2003, and she was responsible for promotion and sales of information technology products and customer support.

Ms. Law graduated from The Chinese University of Hong Kong with a bachelor of science degree in December 2002.

Ms. Tsai Shuen Shuen (蔡旋旋), aged 43, joined our Group in September 2016. She is a Managing Director for Hong Kong and Macau. She manages the business development, product and channel strategic planning of Edvance Technology Hong Kong.

Ms. Tsai has over 16 years of experience in the IT industry. She worked in Riverbed Technology from January 2009 to June 2016, her last position was Channel Sales Manager for Hong Kong, Macau and Taiwan to oversee the channel performance and drive channel strategy, development and enablement. She was a Product Manager of ACW distribution (HK) Ltd from April 2007 to January 2009, and she was responsible for product strategy planning and promoting security solutions to the channel partners. Ms. Tsai was a Regional Sales Manager of Wafer Systems (Hong Kong) Ltd from October 2001 to January 2005. She was responsible for managing the overall sales and marketing.

Ms. Tsai obtained an Honor Diploma in Business Administration from Hong Kong Shue Yan University in 1999.

COMPANY SECRETARY

Ms. Wong Man Shan Joyce（王敏珊）, aged 34, joined our Group in October 2016 and was appointed as our company secretary. Ms. Wong is primarily responsible for overseeing the company secretarial matters of our Group.

Ms. Wong worked at HLB Hodgson Impey Cheng from August 2007 to January 2010 and she last served as an accountant. From January 2010 to November 2011, she worked at Shinewing (HK) CPA Limited and she last served as a senior accountant. From February 2012 to August 2013, she worked at Mazars CPA Limited and she last served as a senior auditor II. From December 2014 to September 2016, Ms. Wong was a principal of TANDEM (HK) CPA Limited, which is principally engaged in the provision of auditing services and consultancy services on private companies and listed companies.

Ms. Wong graduated from Macquarie University in Australia with a bachelor of commerce degree in accounting in April 2006. She is a member of CPA (Practising) of the Hong Kong Institute of Certified Public Accountants since January 2018.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish good corporate governance and adopt sound corporate governance practices. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders' interests.

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 15 of the GEM Listing Rules.

In the opinion of the Directors, save for the deviation of code provision A.6.7 and C.3.3 of the CG Code, the Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 March 2019 to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner. Key corporate governance principles and practices of the Company are summarized below.

THE BOARD

Responsibilities and delegation

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters. The Board has the full support of the management of the Group to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are currently delegated to executive Directors and the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions. All Directors have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in the Cayman Island and Hong Kong are followed. Each Director is normally able to seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this corporate governance report.

The Board is also responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

a. to develop and review our Group's policies and practices on corporate governance and make recommendations;

b. to review and monitor the training and continuous professional development of the Directors and senior management;

c. to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

e. to review our Group's compliance with the CG Code and disclosure in the corporate governance report.

The Company has arranged appropriate liability insurance coverage for all the Directors and officers of the Group, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc., which is reviewed by the Board on a regular basis.

The Board has delegated day-to-day operation responsibility to the management of the Company under the supervision of the executive Directors and various Board committees. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entering into by the foregoing officers and senior management.

Board composition

The Board comprised the following Directors during the year ended 31 March 2019 and up to the date of this annual report:

Executive Directors
Mr. Liu Yui Ting Raymond *(Chairman)*
Mr. Lee Francis Sung Kei *(Chief Executive Officer)*
Mr. Von John
Mr. Lam Tak Ling

Non-executive Directors
Dr. Tang Sing Hing Kenny
Mr. Lo Wai Ho Ashley

Independent non-executive Directors
Mr. Yu Kwok Chun Raymond
Mr. Ng Tsz Fung Jimmy
Mr. Chan Siu Ming Simon

The nomination committee of the Company (the "Nomination Committee" or "NC") ensures the composition of the Board a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current composition of four (4) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors ("INEDs") can effectively exercise independent judgment. The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The INEDs are expressly identified in all corporate communications of the Company.

During the year ended 31 March 2019, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

The participation of INEDs in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all shareholders of the Company (the "Shareholders") have been duly considered. Each of the INED has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board and the Nomination Committee considered that all the INEDs are independent.

There is a balance of skills and experiences for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Save as abovementioned, the Board members has no financial, business, family or other material/relevant relationships with each other.

The list of current Directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The Company also maintains on its website (www.edvancesecurity.com) and on the Stock Exchange's website (www.hkexnews.hk) an updated list of current Directors (by category) identifying their role and function.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three (3) years commencing from the 19 April 2017, subject to retirement and re-election in accordance to the Articles of Association of the Company (the "Articles") and the GEM Listing Rules and terminated by either the Company or the executive Director giving each other one month notice in writing. Each of the non-executive Directors and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years, subject to retirement and re-election in accordance to the Articles and the GEM Listing Rules and terminated by either the Company or the Director giving each other a three months' notice in writing.

Pursuant to the Article 112 of the Articles and the GEM Listing Rules, all the current Directors, who were appointed by the Board to fill casual vacancy during the year, shall hold office only until the first general meeting of the Company and shall then be eligible for re-election at such meeting, therefore, all current Directors will retire at the conclusion of the forthcoming annual general meeting of the Company be held on Thursday, 8 August 2019 ("2019 AGM") and be eligible to offer themselves for re-election at the 2019 AGM. The Board and the Nomination Committee of the Company has recommended the re-election of all the retiring Directors standing for re-election at the 2019 AGM.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Article of Association. The Company has established a Nomination Committee and its primary functions are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/ practices on the corporate governance of the Group. Details of the Nomination Committee and its work performed are set out in the "Board Committees" section below.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board committees meetings procedures, business, management and operations of the Group, etc. and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules, inside information provision under Part XIVA of the Securities and Future Ordinance (Chapter 571, the Laws of Hong Kong) and relevant regulatory requirements in the Cayman Island and Hong Kong.

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 March 2019 and up to the date of this annual report:

	Attending training course(s) relevant to corporate governance	Reading materials relevant to corporate governance
Executive Directors		
Mr. Liu Yui Ting Raymond	✓	✓
Mr. Lee Francis Sung Kei	✓	✓
Mr. Von John	✓	✓
Mr. Lam Tak Ling	✓	✓
Non-executive Directors		
Dr. Tang Sing Hing Kenny	✓	✓
Mr. Lo Wai Ho Ashley	✓	✓
Independent Non-executive Directors		
Mr. Yu Kwok Chun Raymond	✓	✓
Mr. Ng Tsz Fung Jimmy	✓	✓
Mr. Chan Siu Ming Simon	✓	✓

Besides, the Company keeps circulating information and materials to develop and update Directors' (Mr. Liu Yui Ting Raymond, Mr. Lee Francis Sung Kei, Mr. Von John, Mr. Lam Tak Ling, Dr. Tang Sing Hing Kenny, Mr. Lo Wai Ho Ashley, Mr. Yu Kwok Chun Raymond, Mr. Ng Tsz Fung Jimmy, Mr. Chan Siu Ming Simon) knowledge and skills from time to time. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year for reviewing and approving financial statements, operating performance, budgets, rules and regulations, announcements and circulars issued by the Company and considering and approving the progress of the various on-going projects, the overall strategies and policies of the Company. Additional meetings would be arranged if and when required. Annual meeting schedules of each meeting of the Board and for the audit committee, nomination committee and remuneration committee of the Company (the "Committees") are normally made available to Directors and members in advance. Board members are provided with all agenda and adequate information for their review at least 14 days before the meetings. The Board and Committees members are supplied with comprehensive meeting papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors and the Committees members are given opportunities to include matters in the agenda for regular Board and Committees meetings and/or their meetings, if required. To facilitate the decision-making process, the Directors and the Committees members are free to have access to the management for enquiries and to obtain further information, when required.

After the meeting, draft minutes are circulated to all Directors and Committees' members for comments. Minutes of Board meetings and Committees' meetings are kept by the Company Secretary and are available for inspection by the Directors at all times.

Directors and Committees' members may participate either in person or through electronic means of communications. Directors and Committees' members are free to contribute and share their views at meetings and major decisions only be taken after deliberation at meetings. Directors and Committees' members who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

CORPORATE GOVERNANCE REPORT (continued)

The Board schedules to have at least four regular meetings and at least one meeting for each of the Committees in the year going forward. Board meeting and the Committees' meetings were held up to the date of this report, the individual attendance records of each Director at these meetings are set out below:

	Attendance record of Directors at the meetings					
Name of Directors	**AGM**	**Board**	**Audit Committee ("AC")**	**Remuneration Committee ("RC")**	**Nomination Committee ("NC")**	**Investment Committee ("IC")**
Mr. Liu Yui Ting Raymond	1/1	5/5	N/A	1/1	1/1	0/0
Mr. Lee Francis Sung Kei	1/1	5/5	N/A	N/A	N/A	N/A
Mr. Von John	1/1	5/5	N/A	N/A	N/A	N/A
Mr. Lam Tak Ling	1/1	5/5	N/A	N/A	N/A	N/A
Dr. Tang Sing Hing Kenny	0/1	5/5	N/A	N/A	N/A	0/0
Mr. Lo Wai Ho Ashley	0/1	5/5	N/A	N/A	N/A	N/A
Mr. Yu Kwok Chun Raymond	0/1	5/5	4/4	1/1	1/1	N/A
Mr. Ng Tsz Fung Jimmy	1/1	5/5	4/4	1/1	1/1	0/0
Mr. Chan Siu Ming Simon	1/1	5/5	4/4	1/1	1/1	N/A

Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company Secretary and are available for inspection by the Directors at all times.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company had complied with the code provisions in the CG Code.

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. The respective responsibilities of the chairman of the Board and the chief executive officer are clearly defined. The chairman of the Board provides leadership and is primarily responsible for the effective functioning the Board in accordance with good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Shareholders. He ensures that appropriate steps are taken to provide effective communication with Shareholders and their views are communicated to the Board as a whole. With the support of the management, the chairman of the Board is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and independent non-executive Directors. The position of the chairman of the Board is currently held by Mr. Liu Yui Ting Raymond.

Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations and responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements. The position of the chief executive officer of the Company is currently held by Mr. Lee Francis Sung Kei.

BOARD COMMITTEES

The Board has established four Board Committees, namely, the AC, the RC, the NC and the IC, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.edvancesecurity.com. All the Board Committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of the Board Committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the non-executive Directors. Dr. Tang Sing Hing Kenny and Mr. Lo Wai Ho Ashley and the independent non-executive Director Mr. Yu Kwok Chun Raymond were unable to attend the Company's annual general meeting held on 3 August 2018.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 March 2017 with written terms of reference, which was aligned with the CG Code. A revised term of reference has been adopted on 9 January 2019 to incorporate amendments to the Listing Rules. The revised terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The AC currently consists of three (3) independent non-executive Directors, namely Mr. Chan Siu Ming Simon, Mr. Ng Tsz Fung Jimmy and Mr. Yu Kwok Chun Raymond. Mr. Ng Tsz Fung Jimmy currently serves as the chairman of the AC, who holds the appropriate professional qualifications as required under rules 5.05(2) and 5.28 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT (continued)

Pursuant to code provision C.3.3 of the CG code, the members of the AC should meet at least once every six (6) months to consider the budget, revised budget, interim report and annual report prepared the Board and meet the external auditors at least twice a year. During the reviewed period, the members of the AC only met once with the external auditors which is deviated from code provision C.3.3 due to their other business commitments in which they could not meet at same time within the reviewing period. During the Relevant Period, the individual attendance records of the each member at the meeting of the AC is set out on page 28 of this annual report.

The primary duties of the AC are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Up to the date of this annual report, the AC held four (4) meetings, of which one of the meetings was also with the presence of the external auditor and the senior management of the Company and performed the following major tasks:

a. Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

b. Review and discussion of the risk management and internal control system of the Group;

c. Discussion and recommendation of the re-appointment of external auditor; and

d. Review of the Company's continuing connected transactions for the year ended 31 March 2019 pursuant to the GEM Listing Rules.

Save for the deviation of code provision C.3.3 of the CG Code explained above, the Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 March 2019 and up to the date of this report.

During the year ended 31 March 2019, the Audit Committee reviewed, among others, the annual, interim and quarterly results of the Group, which were in the opinion of the Audit Committee that the preparation of such consolidated financial statements and results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control and risk management systems of the Group and also noted that review of the same shall be carried out annually.

During the year ended 31 March 2019, the fee paid/payable to auditor in respect of audit service and/or non-audit services provided by the auditor to the Group were as follows:

Nature of services	2019 HK$'000	2018 HK$'000
Audit services	1,200	1,200
Non-audit services-taxation	81	77

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 March 2017 with written terms of reference, which was aligned with the CG Code. A revised term of reference has been adopted on 9 January 2019 to incorporate amendments to the Listing Rules. The revised terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

The principal duties of the Nomination Committee are to (i) review the Board Composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

Up to the date of this annual report, the Nomination Committee met once and performed the following major tasks:

a. Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

b. Assessment of the independence of the existing INEDs;

c. Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Article of Association;

d. Review and development of the Company's policies and practices on corporate governance and make recommendations to the board;

e. Review and monitoring of the training and continuous professional development of directors and senior management;

f. Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

g. Review and monitoring of the code of conduct applicable to employees and directors; and

h. Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The NC consists of one (1) executive Director, namely Mr. Liu Yui Ting Raymond, and all three (3) independent non-executive Directors, namely Mr. Chan Siu Ming Simon, Mr. Ng Tsz Fung Jimmy and Mr. Yu Kwok Chun Raymond. Mr. Chan Siu Ming Simon currently serves as the chairman of the NC.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 23 March 2017 with written terms of reference, which was aligned with the CG Code. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

The RC consists of one (1) executive Director, namely Mr. Liu Yui Ting Raymond, and all three (3) independent non-executive directors, namely Mr. Chan Siu Ming Simon, Mr. Ng Tsz Fung Jimmy and Mr. Yu Kwok Chun Raymond. Mr. Yu Kwok Chun Raymond currently serves as the chairman of the RC.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 March 2019 is set out below:

In the band of	Number of Individuals
Nil to HK$1,000,000	**7**
HK$1,000,001 to HK$2,000,000	**5**
HK$2,000,001 to HK$3,000,000	**1**
HK$3,000,001 to HK$4,000,000	**–**
Over HK$4,000,000	**–**

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 March 2019 are set out in note 12 to the consolidated financial statements, respectively, contained in this annual report.

The members of the RC should meet at least once a year. During the year ended 31 March 2019, the individual attendance records of the each member at the meeting of the RC is set out on page 28 of this annual report.

Set out below is a summary of the work and related tasks, inter alia, performed by the RC in the meeting:

a. reviewed the policy and structure of the remuneration for all the Directors and senior management as well as the remuneration packages paid during the year ended 31 March 2019.

b. reviewed all the senior management's remuneration paid during the year ended 31 March 2019 with reference to the Board's corporate goals and objectives.

c. considered the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

d. reviewed and made recommendation to the Board on the remuneration packages of individual Directors and senior management for the coming year.

e. reviewed and ratified service contracts signed by the Directors.

INVESTMENT COMMITTEE

The Company established the Investment Committee on 17 July 2018 with written terms of reference. The primary duties of the IC are to review and evaluate any potential investment projects and feasibility report for long term development of the Company and make recommendations to the Board. The IC consists of one (1) executive Director, namely Mr. Liu Yui Ting Raymond, one (1) non-executive director, namely Dr. Tang Sing Hing Kenny and one (1) independent non-executive director, namely Mr. Ng Tsz Fung Jimmy. Mr. Liu Yui Ting Raymond currently serves as the chairman of the IC.

During the year ended 31 March 2019, no Investment Committee meeting was held.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company has adopted a set of revised board diversity policy (the "Board Diversity Policy") on 9 January 2019 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. A summary of Board Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The members of the NC should meet at least once a year where appointment of the Directors will be considered. During the year ended 31 March 2019, the individual attendance records of each Nomination Committees at the meeting of the NC is set out on page 28 of this annual report.

BOARD NOMINATION POLICY

The Company has adopted a nomination policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

a. Reputation for integrity;

b. Accomplishment and experience in the business in which the Group is engaged in;

c. Commitment in respect of available time and relevant interest;

d. Diversity in all its aspects, including but not limited to gender, age (18 years or above), culture, educational background, professional experience, skills and length of service;

e. Qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

f. The number of existing directorships and other commitments that may demand the attention of the candidate;

g. Requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules from 5.05 to 5.13 of the Listing Rules;

h. Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

i. Such other perspectives appropriate to the Company's business.

DIRECTOR NOMINATION PROCEDURE

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

a. The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

b. The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

c. The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

d. The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

e. In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/ or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules from 5.05 to 5.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

f. The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

DIVIDEND POLICY

The Board adopted a dividend policy on 9 January 2019. The Board has the discretion to declare and distribute dividends to the shareholders of the Company. Any declaration of final dividends for the year will be subject to the approval of the Company's shareholders. The Board shall take into account the financial position, cashflow situation, business conditions and strategies, current and future operations and earnings, capital requirements and expenditure plans, interests of shareholders, prevailing economic environment, any restrictions on payment of dividends of the Group and any other factors or conditions that the Board may consider relevant when considering the declaration and payment of dividends.

COMPLIANCE ADVISER

In accordance with rule 6A.19 of the GEM Listing Rules, the Company has appointed Titan Financial Services Limited ("Titan Financial") as our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company currently consults with and, if necessary, seek advice from its compliance adviser on a timely basis in the following circumstances:

a. before the publication of any regulatory announcement, circular or financial report;

b. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

c. where the Company propose to use the proceeds of the Share Offer in a manner different from that detailed in the Prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the Prospectus; and

d. where the Stock Exchange makes an inquiry of the Company under rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company commenced on the Listing Date, 19 April 2017 and end on the date on which our Company complies with rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Ms. Wong Man Shan Joyce was appointed as the Company Secretary of the Company in October 2016. She has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2019, the Company Secretary has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 March 2019 by the auditors about their reporting responsibilities that give a true and fair view of the state of affairs, results and cash flows of the Company and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

As at 31 March 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor, Deloitte Touche Tohmatsu, on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 65 to 71 of this Annual Report.

CORPORATE GOVERNANCE FUNCTIONS

A NC has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continues professional development of the directors and senior management, the Company's polices and practices on compliance with legal and regulatory requirements, etc. During the year ended 31 March 2019, the Board has discussed the corporate governance matters including a review of the corporate governance report for the year ended 31 March 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for the year ended 31 March 2019 up to the date of this report.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the "Inside Information Policy").

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company for the year ended 31 March 2019 up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the AC and the Risk Management Taskforce (comprising of the Management and the business lines). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has established an internal audit function to assist the Board and the AC in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the AC and the Board on a timely basis to ensure prompt remediation actions are taken. Risk management report and internal control report are submitted to the AC and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the GEM Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for the establishment, maintenance and review of the risk management and internal controls. The Board should oversee risk management and internal control systems on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a set of risk management policies and measures to identify, evaluate and manage risks arising from the operation. Details on risk categories identified by the management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our Company's policies and adopted by the Company.

For the year ended 31 March 2019, the Board conducted a review of the effectiveness of the risk management and internal control system, which covered the financial, operational, compliance and risk management. The Board considered that the system of the Group to be adequate and effective for the year ended.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted an Inside Information Disclosure Policy (the "Policy") for the Company since 2017 for monitoring inside information to ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Policy are summarized below:

HANDLING OF INSIDE INFORMATION

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the GEM Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.

2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

3. The Group's finance department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

DISSEMINATION OF INSIDE INFORMATION

Inside information is announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.edvancesecurity.com). The electronic publication system of the Stock Exchange is the first channel of dissemination of the Group's information before any other channel.

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "AGM") and the extraordinary general meetings (the "EGM") of the Company.

The 2019 AGM of the Company will be held on Thursday, 8 August 2019, the notice of which shall be sent to the Company's shareholders in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Union Registrars Limited, whose contact details are stated in the section headed "Corporate Information" of this annual report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene an EGM and state the purpose therefore to the Board or the Company Secretary.

The Company has adopted Communications Policy with Shareholders and investors of the Company that provide ready, equal and timely access to understandable information about the Company. The Board is welcome to Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to Articles of Association of the Company, if a Shareholder wishes to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the principal place of business of the Company in Hong Kong within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company's website (www.edvancesecurity.com).

The Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	39th Floor, Montery Plaza 15 Chong Yip Street, Kwun Tong Kowloon, Hong Kong
Tel:	(852) 3184 9400
Fax:	(852) 3521 1667
E-mail:	info@edvancesecurity.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Committees where appropriate, to answer the Shareholders' questions.

COMMUNICATION WITH SHAREHOLDERS

In order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the shareholders as follows:

a. corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.edvancesecurity.com);

b. periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.edvancesecurity.com);

c. corporate information is made available on the Company's website (www.edvancesecurity.com);

d. AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

e. the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company were adopted on 23 March 2017 and effective on 19 April 2017 to comply with the relevant provisions of the GEM Listing Rules.

A copy of the memorandum and articles of association of the Company is posted on the designated website of the GEM of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.edvancesecurity.com).

There had been no changes in the memorandum and articles of association of the Company since the Listing Date to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance ("ESG") report outlines the Group's corporate social responsibility performance covers the Group's core businesses in Hong Kong for the year ended 31 March 2019 (the "Reporting Period"). It is prepared in accordance with the Environment, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 20 of the GEM Listing Rule.

The Board is responsible for our ESG strategy and reporting while our management is responsible for monitoring and managing ESG-related risks and the effectiveness of our ESG management systems. In order to identify key ESG matters of the Group, we have engaged our business functions to review our operations and to assess the ESG matters relevant to our business as well as our stakeholders. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the General Disclosure requirements of the ESG Guide.

As an IT Security Solutions value-added distributor, the Group's main business is to introduce IT Security Products and provide IT Security Services to the local markets. Our business has insignificant impacts on the environment in terms of wastewater, waste pollutants, air pollutants, hazardous waste and packaging materials. Therefore, disclosures relating to these aspects, as set forth in the ESG Guide, are not applicable to the Group and so have not been made.

A. ENVIRONMENTAL

In recent decades, environmental protection issues are becoming more and more important as a result of global climate change, air pollution and water pollution. The Group is committed to minimize the environmental impact of the Group's business operation by reinforcing environmental awareness and implementing measures on energy saving. The Group will continue enhancing its energy saving management in minimizing the usage of lighting, air-conditioning, and electronic appliances.

The Group is not aware of any material cases of non-compliance with laws and regulations relating to emissions, discharges, generation of hazardous and non-hazardous waste arising in the Reporting Period that would have a significant impact on the Group.

A1 Emissions

Since the Group principally engaged in the provision of IT Security Products and Services, we did not generate air emissions nor hazardous waste during our operations in the Reporting Period. The major non-hazardous waste produced from our business activities is mainly paper consumed for administrative purposes. The Group is dedicated to protecting the environment by taking every simple action which is feasible in its office operating boundaries, and target to establish a paperless office by using electronic platforms and communication channels.

Greenhouse gas ("GHG") emissions

The Green House Gas ("GHG") emission from the Group is mainly from its purchased electricity consumed in daily office operations.

The total GHG emissions and intensity generated by Hong Kong office are as follows:

		2018	**2019**
Purchased Electricity	Total (kWh)	146,348	**150,851**
GHG emissions	Total (kg)	92,199	**95,036**
GHG emissions per employee	Total (kg/employee)	1,418	**1,462**

Notes:

1. The Group's core business is in Hong Kong. The number of employees working in Hong Kong office is 65 out of 86 in the whole group as at 31 March 2019.

2. The purchased electricity in other regions, including Singapore, China, Macau is insignificant.

3. GHG emissions data is presented in carbon dioxide equivalent and was based on the article "How to prepare an ESG Report?" downloaded in The Stock Exchange of Hong Kong Limited's website.

Waste Management

The solid waste generated from the Group is mainly paper used for administrative purposes. Although those indirect emission from the office are very insignificant, the Group continuously encourages the staff to make contribution on waste management by adopting the following guidelines and procedures:

- Reduce paper usage by using double-sided copying;
- Use the back of old documents for printing or as draft paper;
- Utilize electronic communication where applicable such as e-form system, e-leave and e-cards for festival greetings;
- Send spent battery to specialist for recycling;
- Redeploy computer or notebook within the Group where usable and suitable.

A2 Use of Resources

Energy Consumption

Energy consumption from the Group is mainly from its purchased electricity consumed in daily office operations. The Group will continue reinforcing its energy saving management by adopting the following guidelines and procedures:

- Maintain an indoor temperature at an optimal level for comfort;
- Install LED lighting system in the offices;
- Encourage the employees to turn off the computers and monitors when not in use;
- Encourage cloud computing which increases utilization by making more efficient use of electricity and hardware resources.

During the year, the total energy consumption by Hong Kong office and total energy consumption per Hong Kong employee in terms of electricity are as follows:

		2018	**2019**
Energy Consumption	Total (kWh)	146,348	**150,851**
Energy consumption per employee	Total (kWh/employee)	2,252	**2,321**

Notes:

1. The Group's core business is in Hong Kong. The number of employees working in Hong Kong office is 65 out of 86 in the whole group as at 31 March 2019.

2. The purchased electricity in other regions, including Singapore, China, Macau is insignificant.

Water Consumption

Water consumption is relatively low in the Group. Much of our water consumption is for basic cleaning and sanitation. The majority of the water supply facilities are provided on our rental premises, and the usage have been included in the management fees. Nonetheless, we emphasize water saving to our staff through staff education.

Packaging Material Used

Due to our Group's business nature, there was no significances of the amount of packaging material used in our daily operation. As such, we do not track the packaging material used for the products.

A3 The Environment and Natural Resources

Although the core business of the Group has remote impact on the environment and natural resources, the Group is committed to making continuous improvements in environmental and social responsibility in order to meet the changing needs of our society. We also regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

B. SOCIAL

Employment and Labour Practices

B1 Safeguarding employees' rights and interests

The Group signs employment contracts with employees based on the principle of voluntariness, equality and unanimity through consultation, pays social insurance/MPF contribution for every employee according to local laws. We have offered equal employment opportunities to every candidate and forbidden differentiated treatment to employees due to gender, age, nationality and cultural background. We have spared no effort to provide a pleasant occupational environment for employees to realize self-development. We conduct employee orientation to all new employees to introduce company policy, code of conduct and rules and regulations which are also stated in Employee Handbook.

We are not aware of any material cases of non-compliance with laws and regulations relating to employment and labor practices arising in the Reporting Period that would have had a significant impact on the Group.

B.1.1 Remuneration and welfares

We implement targeted performance assessment. Remuneration is related position, employee performance and the Group's performance. The Group's strategic and business targets are assigned to every position. In these ways, a performance target system is established to comprehensively assess employee's working performance. Moreover, we promote performance-orientated management is a unified and regulatory way.

B.1.2 Employee engagement

We protect employees' interests and guarantee employees' right to know and the right to participate. We maintain unblocked communication channels, and motivate employees' enthusiasm and creativity. These efforts exert a positive impact on the Group's healthy and harmonious development.

B.1.2 Employee life

We hold a series of recreational activities for employees' spare time. The purpose of these activities is to help employees balance life and work, enable them to address challenges in a positive and optimistic attitude and make them enjoy "happy life and work". During the Reporting Period, we organize various events to enhance work-life balance and teamwork such as annual Christmas Party, Sports Day, Health Day, Hiking, Outings and Happy Hours etc.

B2 Occupational Health and Safety

The Group cares about the health of its employees and regularly arranges health and safety checklist for all employees and sets up files of health records.

There was no job injuries record in the past years. New employees will be provided health and safety guideline before commencement of the employment in order to enhance their safety awareness. And a related questionnaire will be required to complete within 6 months period. The Group provides first aid kits and related medicines to all employees for emergency situations.

We are not aware of any material cases of non-compliance with laws and regulations relating to occupational health and safety arising in the Reporting Period that would have had a significant impact on the Group.

B3 Development and Training

The Group aims to provide continuous training to our people, in order to facilitate their career and personal development, as well as to maintain an efficient and effective workforce for our business. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Training topics vary from updates on rules and regulations, technical knowledge, management skills to customer service standards. Furthermore, on-job training, including coaching by supervisors, job rotation and shadowing, are offered to our staff in order to maintain and enhance our work quality. We also encourage our staff to discuss their learning plans with their supervisors during the performance evaluation process and we provide financial subsidies for employees to attend external training courses, where appropriate.

B4 Labour Standards

We do not engage in or tolerate any use of child or forced labor in our operations. All employees are hired in strict compliance with local labour laws and regulations, including the minimum working age requirement. Employment is offered based on the principles of fairness, openness and willingness. All positions are bound by legal contracts with detail terms and conditions of employment to protect employees' and the Company's interests.

We are not aware of any material cases of non-compliance with laws and regulations relating to labor standards arising in the Reporting Period that would have had a significant impact on the Group.

Operating Practices

B5 Supply Chain Management

We have also established a fair and transparent supplier selection process with independent review and approval for procurement exercises, and do not tolerate any fraud and bribery in our supply chain. In addition, we regularly evaluate suppliers' performance and require suppliers to take remedial measures where this performance is sub-standard. We even terminate our business relationships if suppliers fail to meet our quality standards. Our suppliers are also required to comply strictly with all applicable laws and regulations.

B6 Product Responsibility

Products and Services Responsibility

The Group is responsible for its products and services and emphasizes on business ethics. The Group does not engage in unfair business activities of any kind. Its procurement and service delivering processes ensure information regarding products and services are clear and open.

Customer Services

Our business model focuses on catering customer needs, providing customers with the most suitable and high quality and service products. We implement all relevant and necessary measures to uphold our commitment, aiming at providing the best services to customers. We have provided trainings to our staffs for handling customer complaints and conducting investigations on reported cases.

Intellectual Property ("IP") Rights

The Group registered a number of trademarks in Hong Kong and branded its business by using "Edvance" as its brand name. It manages security of its assets such as financial information, IP, or employee details entrusted to the Group. For any infringement of its IP, the Group will urge infringers to cease such infringement. The human resources department of the Group will take further action if infringement continues.

To protect third party IP rights and comply with relevant licensing terms when software is used, employees are prohibited from duplicating, installing or using software in violation of its copyright or license terms as part of the Group's policy. Employees in violation of the policy will be subject to disciplinary action. The Group will also notify the manufacturers if any illegal or unauthorized use of their hardware and/or software is notices.

Data Privacy Policy

We put personal data privacy as our top priority. The Group only collects information which we consider necessary for our operations. The data collected will be used directly for the purposes as stated at the time such data is collected. The Group would never transfer or disclose any personal data to third parties unless consent has been obtained from the data owner. Meanwhile, the Group will maintain sound data security system and measures to prevent unauthorized use of personal data.

We are not aware of any cases of material non-compliance with laws and regulations relating to product responsibility arising in the Reporting Period that would have had a significant impact on the Group.

B7 Anti-Corruption

The Group has designed and implemented various internal controls to minimize the occurrence of bribery, extortion, fraud and money-laundering. Our expectations on employees' ethical requirements and conduct are stipulated in our employee handbook, which is distributed and communicated to all employees.

The Group has established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, training is regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud and money-laundering matters.

We are not aware of any cases of material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering arising during the Reporting Period that would have had a significant impact on the Group.

B8 Community Investment

The Group places high priority in creating value for the communities it serves and encourages its employees to actively participate in sponsorships and charitable support through direct donation or involvement in various community and charitable activities to support those in need. The Group shoulders corporate social responsibilities, engages in public welfare cause and conducts a series of public welfare activities during the Reporting Period such as:

- co-operated with Hong Kong Sheng Kung Hui Welfare Council Limited for elderly services such as materials delivery and caregiving support to the senior citizens
- made donations to Hong Kong Sheng Kung Hui Welfare Council Limited
- advocated ethical consumption and supported it through acquiring services from social enterprises such as Health-link etc..

The Group has also been awarded the Caring Company Logo 2016-19, in recognition of our long-term contributions and commitment for the environment, our employees as well as the community.

DIRECTORS' REPORT

The Directors of the Company (the "Directors") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of IT Security Products and Services. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a review of the Group's business, a description of the principal risks and uncertainties facing the Group as well as an indication of likely future development in the Group's business, can be found in the chairman's statement and the Management Discussion and Analysis set out from pages 6 to 14 of this annual report. The discussion forms part of this report of the Directors. There were no significant changes in the nature of the principal activities of the Group during the year.

REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue from operations and by geographical locations of customers is set out in note 6 of the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the five years ended 31 March 2015, 2016, 2017, 2018 and 2019, as extracted from the Prospectus and the consolidated financial statements is set out on pages 4 to 5 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 72 of this annual report.

The Board has recommended a final dividend of HK$0.03 per Share (FY2018: HK$0.01 per share) subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Details of the dividend for the year ended 31 March 2019 are set out in note 13 to the consolidated financial statements, the final dividend will be payable on or around 30 August 2019 to the Company's shareholders whose names appear on the register of the members of the Company on Monday, 19 August 2019.

CLOSURE OF REGISTER OF MEMBERS

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the 2019 AGM. The record date for entitlement to the proposed final dividend is Monday, 19 August 2019. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 15 August 2019 to Monday, 19 August 2019, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer forms, accompanies by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, for registration not later than 4:00 p.m. on Wednesday, 14 August 2019. The payment of final dividend will be made on or about Friday, 30 August 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Details of the activities of its principal subsidiaries as at 31 March 2019 are set out in the note 34 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "Articles") or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders.

RESERVE

Details of movements in the reserves of the Company and the Group are set out in note 35 to the consolidated financial statements and the consolidated statement of changes in equity of this annual report respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2019, amounted to approximately HK$64,008,000 (2018: approximately HK$74,324,000). Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the memorandum and articles of association of the Company and no distribution or dividend may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

REVIEW OF FINANCIAL INFORMATION

The AC comprises three independent non-executive Directors, namely, Mr. Ng Tsz Fung Jimmy (chairman of the Audit Committee), Mr. Chan Siu Ming Simon and Mr. Yu Kwok Chun Raymond. The AC has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls system, risk management system and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 March 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 15.4% and 41.2% (2018: approximately 14.3% and 43.4%) of the Group's total revenue for the year, respectively.

During the year ended 31 March 2019, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 22.0% and 71.1% (2018: 22.4% and 71.2%) of the Group's total purchase for the year, respectively.

At no time during the year under review, none of the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors who owns more than 5% of the Company's issued share capital), has any interests in any of the above five largest customers and suppliers of the Group for the year.

As no single customer accounted for more than one-third of the Group's total revenue for the year under review, we do not consider that the relationships with our customers expose the Group's business to any substantial risk.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the year, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

DIRECTORS

The Directors who held office during the year ended 31 March 2019 and up to the date of this annual report were:

Executive Directors
Mr. Liu Yui Ting Raymond *(Chairman)*
Mr. Lee Francis Sung Kei *(Chief Executive Officer)*
Mr. Von John
Mr. Lam Tak Ling

Non-executive Directors
Dr. Tang Sing Hing Kenny
Mr. Lo Wai Ho Ashley

Independent non-executive Directors
Mr. Yu Kwok Chun Raymond
Mr. Ng Tsz Fung Jimmy
Mr. Chan Siu Ming Simon

Pursuant to Article 108 of the Articles, one-third of the Directors will retire by rotation at each annual general meeting of the Company. Under Article 108, Mr. Lam Tak Ling, Dr. Tang Sing Hing Kenny and Mr. Yu Kwok Chun Raymond will retire and be eligible to offer themselves for re-election at the 2019 AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of all the Directors and senior management of the Company are set out on pages 15 to 21 of this annual report.

DIRECTORS’ SERVICE CONTRACT

Each of the Directors has entered into a service contract with the Company for a term of three years which is subject to termination by either party giving not less than one month’s written notice.

Each of the Non-executive Directors and the INEDs has entered into a letter of appointment with the Company, respectively. The non-executive Director’s appointment an initial term of three (3) years, commencing from 21 November 2016, save for the appointment of Mr. Lo Wai Ho Ashley commencing from 1 January 2018, and each of the independent non-executive Director’s appointment is for an initial term of there (3) years, commencing from the Listing Date, 19 April 2017, subject to retirement and re-election in accordance to the Articles and GEM Listing Rules and terminated by either party by giving at least three month’s written notice to the other.

All of the Directors’ service contracts entered between the Company and the Directors has been reviewed and ratified by the nomination committee of the Company. None of the Directors being proposed for re-election at the 2019 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors of the Company are namely prepared by the RC and then recommend to the Board, having regard to the Group’s operating results, individual performance and comparable market statistics. All the emolument of Directors has been reviewed and ratified by the RC of the Company.

Details of the emoluments of the Directors of the Group are set out in note 12 to the consolidated financial statements of this annual report.

The Group has adopted share option scheme as an incentive to eligible employees, details of the share option schemes of the Group are set out in note 32 to the consolidated financial statements of this annual report.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, senior management and the five highest paid individuals of the Group disclosed on a named basis and/or by band respectively, are set out in note 12 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

During the year ended 31 March 2019, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS" in this report from page 59 in this annual report and note 29 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder , the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the interests of the Directors in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b)pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions

Names of Director	Capacity	Number of Shares	Approximate % of shareholding (1)
Mr. Liu Yui Ting Raymond (2)	Interest of controlled corporation	570,000,000	56.92%
Mr. Lee Francis Sung Kei (5)	Interest of controlled corporation	22,500,000	2.25%
Mr. Lo Wai Ho Ashley (2)	Interest of controlled corporation	570,000,000	56.92%
Mr. Von John (4)	Interest of controlled corporation	60,000,000	5.99%
Mr. Lam Tak Ling (6)	Interest of controlled corporation	22,500,000	2.25%
Dr. Tang Sing Hing Kenny (3)	Interest of controlled corporation	75,000,000	7.49%

Notes:

(1) The percentage has been complied based on the total number of ordinary shares of the Company in issue (1,001,446,000 Shares) as at 31 March 2019, and the date of this report.

(2) This represents the Shares held by Success Vision International Group Limited ("Success Vision"), a company was beneficially owned as to 59.21% by Mr. Liu Yui Ting Raymond and 40.79% by Mr. Lo Wai Ho Ashley respectively, therefore, they were deemed to be interested in the 570,000,000 Shares under the SFO.

(3) This represents the Shares held by Earning Gear Inc. ("Earning Gear"), a company was wholly-owned by Dr. Tang Sing Hing Kenny and therefore he was deemed to be interested in the 75,000,000 Shares under the SFO.

(4) This represents the Shares held by Mind Bright Limited ("Mind Bright"), a company was wholly-owned by Mr. Von John and therefore he was deemed to be interested in the 60,000,000 Shares under the SFO.

(5) This represents the Shares held by Pioneer Marvel Limited ("Pioneer Marvel"), a company was wholly-owned by Mr. Lee Francis Sung Kei and therefore, he was deemed to be interested in the 22,500,000 Shares under the SFO.

(6) This represents the Shares held by Linking Vision Limited ("Linking Vision"), a company was wholly-owned by Mr. Lam Tak Ling and therefore he was deemed to be interested in the 22,500,000 Shares under the SFO.

Details of the share options of the Company, duly granted to the Directors pursuant to the share options schemes (if any), which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

Save as disclosed above, as at 31 March 2019 and up to the date of this annual report, none of the Directors or chief executives of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option " in this report, at no time during the year ended 31 March 2019 and up to the date of this annual report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 March 2019 and up to the date of this annual report, the following persons (other than Directors or chief executive of the Company), who had interests in the shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company, were as follows:

Long positions

Names of Shareholder	Capacity	Number of Shares	Approximate % of shareholding (8)
Success Vision (1)	Beneficial owner	570,000,000	56.92%
Ms. Cheng Chui Ying (1&2)	Interest of spouse	570,000,000	56.92%
Ms. Lin Fai (3)	Interest of spouse	570,000,000	56.92%
Earning Gear (4)	Beneficial owner	75,000,000	7.49%
Ms. Yip Lai Ching (4&5)	Interest of spouse	75,000,000	7.49%
Mind Bright (6)	Beneficial owner	60,000,000	5.99%
Ms. Cheung Mo Chi (6&7)	Interest of spouse	60,000,000	5.99%

Notes:

(1) Success Vision is beneficially owned as to 59.21% by Mr. Liu Yui Ting Raymond, Director, and 40.79% by Mr. Lo Wai Ho Ashley, Director, respectively. Each of Mr. Liu Yui Ting Raymond, Director, and Mr. Lo Wai Ho Ashley, Director, were deemed to be interested in the 570,000,000 Shares that held by Success Vision under the SFO.

(2) Ms. Cheng Chui Ying is the spouse of Mr. Liu Yui Ting Raymond, Director, and was therefore deemed to be interested in the Shares in which Mr. Liu Yui Ting Raymond, Director, was interested in under the SFO.

(3) Ms. Lin Fai is the spouse of Mr. Lo Wai Ho Ashley, Director, and was therefore deemed to be interested in the Shares in which Mr. Lo Wai Ho Ashley, Director was interested in under the SFO.

(4) Earning Gear is wholly-owned by Dr. Tang Sing Hing Kenny, Director, and was therefore deemed to be interested in the 75,000,000 Shares that held by Earning Gear under the SFO.

(5) Ms. Yip Lai Ching is the spouse of Dr. Tang Sing Hing Kenny, Director, and was therefore deemed to be interested in the Shares in which Dr. Tang Sing Hing Kenny, Director, was interested in under the SFO.

(6) Mind Bright is wholly-owned by Mr. John Von, Director, and was therefore deemed to be interested in the 60,000,000 Shares that held by Mind Bright under the SFO.

(7) Ms. Cheung Mo Chi is the spouse of Mr. John Von , director, and was therefore deemed to be interested in the Shares in which Mr. John Von, Director, was interested in under the SFO.

(8) The percentage has been complied based on the total number of ordinary shares of the Company in issue (1,001,446,000 shares) as at 31 March 2019, and the date of this report.

Save as disclosed above, as at 31 March 2019 and up to the date of this annual report, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" who had or deemed to have interests or short positions in the shares and underlying shares of the Company which has disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 March 2019 are set out in note 29 to the consolidated financial statements. To the best knowledge of the Directors, these related party transactions constituted exempted connected transactions under Rule 20.74(1) of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors and officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty; provided that this indemnity shall not extend to any matter in respect of any own fraud or dishonesty which may attach to any of the Directors and officers.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

COMPETING INTEREST

During the year ended 31 March 2019, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION

The controlling Shareholders, namely Mr. Liu Yui Ting Raymond, Mr. Lo Wai Ho Ashley and Success Vision, entered into a deed of non-competition dated 23 March 2017 ("Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the deed of non-competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the controlling Shareholders since the Listing Date and up to the date of this annual report.

SHARE OPTION

The shareholders of the Company approved and adopted the Share Option Scheme by way of written resolutions on 23 March 2017. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion. Particulars of the Company's Share Option Schemes and details of movements in the share options under such schemes during the year under review are set out in note 32 to the consolidated financial statements.

Details of the movements of Share Options granted, exercised or cancelled/lapsed during the Reporting Period and outstanding as at 31 March 2019 are as follows:

Share Options Movement Summary

For the month ended	Grantee	Date of grant of Share options	Exercise price of Share Options	Closing price immediately before date of grant	Exercise period (both dates inclusive)	As at 1 April 2018	Grant during the period	Exercise during the period	Lapsed during the period	Outstanding at 31 March 2019
31-Mar-19	Employees	7-Jul-17	0.65	0.67	7 July 2018 to 6 July 2023	6,084,000	–	(1,446,000)	(496,000)	4,142,000
		7-Jul-17	0.65	0.67	7 July 2019 to 6 July 2024	4,563,000	–	–	(546,000)	4,017,000
		7-Jul-17	0.65	0.67	7 July 2020 to 6 July 2025	4,563,000	–	–	(546,000)	4,017,000
Total employees						15,210,000	–	(1,446,000)	(1,588,000)	12,176,000

During the year ended 31 March 2019, no options were granted by the Company pursuant to the Share Option Schemes. No options were cancelled but options in respect of 1,446,000 Shares were exercised, whereas options in respect of 1,588,000 Shares were lapsed during the year ended 31 March 2019.

As a result of the options exercised during the year ended 31 March 2019, 1,446,000 Shares were issued by the Company, and the Company received a total cash consideration of approximately HK$940,000 in respect of such option exercises. The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK$0.99 per Share.

As at the date of this report, the total number of Shares still available for issue under the Share Option Schemes shall be 12,176,000 Shares, representing approximately 1.2% of the Company's issued share capital as at such date.

None of the grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the GEM Listing Rules).

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2019 and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient prescribed public float of the issued Shares as required under the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report "on pages 22 to 42 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment.

Details on the environmental policies and performance is contained in the "Environmental, Social and Governance report" on page 43 to 50 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board review and monitor the Group's policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the year ended 31 March 2019 and up to the date of this annual report, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Group has complied with the material requirements under the GEM Listing Rules, SFO and the Cayman Companies' Law. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the GEM Listing Rules are provided in the Corporate Governance Report of this Annual Report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2019 AGM will be held on Thursday, 8 August 2019.

The register of members of the Company will be closed from Friday, 2 August 2019 to Thursday, 8 August 2019, both dates inclusive, during which period no transfer of Shares will be registered, for ascertaining Shareholder's entitlement to attend and vote at the 2019 AGM to be held on Thursday, 8 August 2019. In order to qualify for attending and voting at the 2019 AGM, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 1 August 2019.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Titan Financial, the Company's compliance adviser, save for the compliance agreement entered into between the Company and Titan Financial dated 15 December 2016 in connection with the Listing, none of Titan Financial or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 March 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE AND SOCIAL RESPONSIBILITY

The Company places great importance to and conscientiously fulfill its social responsibilities by promoting the harmony and interaction of the Company and society; achieving sustainable development; setting up a good corporate image; providing employment opportunities for the society in accordance with the laws and regulations, having a passion for the public welfare undertaking, creating a better social atmosphere for the Company and achieving long-term sustainable development. The Company has integrated the corporate social responsibility with the Company's business development, unremittingly pursue the common progress and development of the Company and the customers, employees, Shareholders and society.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group's accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 March 2019. The Audit Committee had reviewed together with the management and external auditor about the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 March 2019 and up to the date of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been prepared by Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company, who will retire at the conclusion of the 2019 AGM and be eligible to offer themselves for re-appointment. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the 2019 AGM.

By order of the Board
Liu Yui Ting Raymond
Chairman and Executive Director

Hong Kong, 17 June 2019

Deloitte. 德勤

TO THE SHAREHOLDERS OF EDVANCE INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Edvance International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 72 to 159, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories	
We identified valuation of inventories as a key audit matter due to the use of judgment and estimates by management in identifying obsolete and slow-moving inventories and estimating the allowance for inventories. Obsolete and slow-moving inventories were identified by management based on aging analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices and current market conditions. As set out in note 18 to the consolidated financial statements, the Group had inventories of HK$7,763,000 as at 31 March 2019. During the year, the Group recognised allowance for inventories of HK$2,570,000.	Our procedures in relation to the valuation of inventories included: • Obtaining an understanding of how allowance for inventories is estimated by the management; • Obtaining an understanding of the key controls of the Group in relation to identification of obsolete and slow-moving inventories and preparation of aging analysis of inventories; • Testing the aging analysis of the inventories, on a sample basis, to the source documents; • Assessing the reasonableness of the net realisable value of inventories estimated by the management for those obsolete and slow-moving inventories with reference to the recent selling prices, movements, physical conditions, aging analysis and subsequent sales of inventories; and • Testing the subsequent sales, on a sample basis, to source documents.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of Trade Receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgment and estimates by management in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 March 2019, the Group's net trade receivables amounting to approximately HK$92,590,000 and out of these trade receivables of approximately HK$30,241,000 were past due. As explained in notes 2 and 27 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") and recognised impairment losses on trade receivables of HK$550,000 as at 1 April 2018 in accordance with the transitional provisions of HKFRS 9.	Our procedures in relation to the valuation of trade receivables included: • Obtaining an understanding of the key controls of the Group on how the management estimates the impairment loss for trade receivables; • Testing the accuracy of the ECL adjustment made by the Group as at 1 April 2018 on initial adoption of HKFRS 9; • Testing the accuracy of trade receivables aging analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; and

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of Trade Receivables – continued	
As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates and assesses the amount of lifetime ECL on (i) debtors with aggregated outstanding balances exceeding HK$1,000,000 individually; and (ii) remaining debtors based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. As disclosed in note 27 to the consolidated financial statements, the Group recognised impairment losses on trade receivables of HK$70,000 for the year and the Group's lifetime ECL on trade receivables as at 31 March 2019 amounted to approximately HK$620,000.	• Challenging management's basis and judgment in determining allowance for credit loss on trade receivables as at 1 April 2018 and 31 March 2019, including their identification of trade receivables which are assessed for ECL individually, the reasonableness of management's grouping of the remaining trade receivables into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chau Chi Ka.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**369,410**	302,323
Cost of sales		**(270,915)**	(217,567)
Gross profit		**98,495**	84,756
Other income	7	**762**	849
Other gains and losses, net	8	**(492)**	816
Distribution and selling expenses		**(26,242)**	(22,192)
Administrative and other expenses		**(38,772)**	(40,676)
Net impairment losses on trade receivables		**(70)**	–
Finance costs	9	**(647)**	(506)
Profit before taxation		**33,034**	23,047
Taxation	10	**(6,860)**	(4,865)
Profit for the year	11	**26,174**	18,182
Other comprehensive income for the year:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**171**	218
Total comprehensive income for the year		**26,345**	18,400
Earnings per share (HK cents)	14		
– basic		**2.62**	1.84
– diluted		**2.61**	1.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	15	**39,245**	7,311
Deposits paid for acquisition of property and equipment		**300**	28,744
Prepayment and deposits	16	**41,502**	36,403
Deferred tax assets	17	**–**	93
		81,047	72,551
Current assets			
Inventories	18	**7,763**	9,390
Trade and other receivables, prepayments and deposits	16	**152,815**	122,698
Tax recoverable		**–**	2,905
Bank balances and cash	19	**73,725**	62,391
		234,303	197,384
Current liabilities			
Trade and other payables and accruals	20	**42,751**	110,915
Contract liabilities	21	**82,775**	–
Bank borrowings	22	**4,403**	8,585
Provision	23	**–**	1,826
Tax liabilities		**5,045**	2,710
		134,974	124,036
Net current assets		**99,329**	73,348
Total assets less current liabilities		**180,376**	145,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred revenue	20	–	31,196
Contract liabilities	21	38,395	–
Bank borrowings	22	22,135	12,723
		60,530	43,919
Net assets		119,846	101,980
Capital and reserves			
Share capital	24	10,014	10,000
Reserves		109,832	91,980
Total equity		119,846	101,980

The consolidated financial statements on pages 72 to 159 were approved and authorised for issue by the board of directors on 17 June 2019 and are signed on its behalf by:

LIU Yui Ting Raymond
DIRECTOR

VON John
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (note)	Share option reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2017	–	–	3,633	–	(184)	5,746	9,195
Profit for the year	–	–	–	–	–	18,182	18,182
Other comprehensive income for the year	–	–	–	–	218	–	218
Total comprehensive income for the year	–	–	–	–	218	18,182	18,400
Issue of new shares of the Company (note 24)	2,500	77,500	–	–	–	–	80,000
Capitalisation issue (note 24)	7,500	(7,500)	–	–	–	–	–
Transaction costs directly attributable to issue of shares	–	(7,475)	–	–	–	–	(7,475)
Recognition of equity-settled share-based payments	–	–	–	1,860	–	–	1,860
At 31 March 2018	10,000	62,525	3,633	1,860	34	23,928	101,980
Adjustments (note 2)	–	–	–	–	–	(550)	(550)
At 1 April 2018 (restated)	10,000	62,525	3,633	1,860	34	23,378	101,430
Profit for the year	–	–	–	–	–	26,174	26,174
Other comprehensive income for the year	–	–	–	–	171	–	171
Total comprehensive income for the year	–	–	–	–	171	26,174	26,345
Issue of shares upon exercise of share options	14	1,280	–	(354)	–	–	940
Transfer to accumulated profits upon forfeiture of share options	–	–	–	(2)	–	2	–
Dividends paid (note 13)	–	–	–	–	–	(10,007)	(10,007)
Recognition of equity-settled share-based payments	–	–	–	1,138	–	–	1,138
At 31 March 2019	10,014	63,805	3,633	2,642	205	39,547	119,846

Note: Other reserves represent the aggregate amount of (i) the difference of HK$220,000 between the share capital of Edvance Technology (Hong Kong) Limited ("Edvance Technology (HK)") and that of Best Gear Group Limited ("Best Gear") issued pursuant to a reorganisation prior to 1 April 2016; (ii) the acquisition of shares from non-controlling shareholders of subsidiaries during the year ended 31 March 2016, resulting a deficit of HK$1,078,000 charging to other reserves; (iii) disposal of 8% equity interest in Best Gear by Mr. Lo Wai Ho Ashley ("Mr. Ashley Lo"), one of the founders of the Group, to non-controlling shareholders of the Company during the year ended 31 March 2017, resulting a deficit of HK$1,349,000 charging to other reserves; and (iv) upon completion of reorganisation during the year ended 31 March 2017, resulting a transfer of HK$6,280,000, representing aggregate amount of share capital and non-controlling interests of Best Gear, to other reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**33,034**	23,047
Adjustments for:		
Finance costs	**647**	506
Net impairment losses on trade receivables	**70**	–
Reversal of allowance for bad and doubtful debts	**–**	(131)
Fair value changes of derivative financial instruments	**–**	(38)
Interest income	**(667)**	(583)
Depreciation	**4,837**	3,750
Share-based payments	**1,138**	1,860
Allowance for inventories	**2,570**	496
Gain on disposal of property and equipment	**(30)**	(10)
Operating cash flows before movements in working capital	**41,599**	28,897
Increase in inventories	**(943)**	(4,640)
Increase in trade and other receivables, prepayment and deposits	**(35,315)**	(39,234)
(Decrease) increase in trade and other payables and accruals	**(3,043)**	28,874
Increase in contract liabilities	**24,853**	–
Decrease in provision	**(1,826)**	–
Cash generated from operations	**25,325**	13,897
Income tax paid	**(1,527)**	(2,495)
NET CASH FROM OPERATING ACTIVITIES	**23,798**	11,402

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES		
Bank interest received	**146**	116
Purchase of property and equipment	**(8,027)**	(5,290)
Proceed from disposal of property and equipment	**30**	31
Deposits paid for acquisition of property and equipment	**(300)**	(28,744)
NET CASH USED IN INVESTING ACTIVITIES	**(8,151)**	(33,887)
FINANCING ACTIVITIES		
Interest paid	**(647)**	(506)
Proceeds from issue of shares	**940**	80,000
Transaction costs directly attributable to issue of shares	**–**	(7,475)
Dividends paid	**(10,007)**	–
Bank borrowings raised	**10,773**	13,443
Repayment of bank borrowings	**(5,543)**	(19,157)
Repayment of obligations under finance leases	**–**	(146)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(4,484)**	66,159
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,163**	43,674
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**62,391**	18,499
Effect of exchange rate changes	**171**	218
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**73,725**	62,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

Edvance International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016. Its ultimate and immediate holding company is Success Vision International Group Limited, which is incorporated in the British Virgin Islands ("BVI"). The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 April 2017 (the "Listing").

The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report. The principal activities of the Company and its subsidiaries (the "Group") are described in note 34.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- procurement of network security products, system security products and application and data security products;
- provision of technical implementation services; and
- provision of maintenance and support services.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 5.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 *HKFRS 15 "Revenue from Contracts with Customers" (continued)*

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 did not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods, while the following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Adjustment**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	HK$'000 (Note)	HK$'000
Current liabilities			
Trade and other payables and accruals	110,915	(65,121)	45,794
Contract liabilities	–	65,121	65,121
Non-current liabilities			
Deferred revenue	31,196	(31,196)	–
Contract liabilities	–	31,196	31,196

Note: As at 1 April 2018, deferred revenue of HK$96,317,000 previously included in trade and other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and the consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

Impact on the consolidated statement of financial position

	As reported	Adjustment	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables and accruals	42,751	82,775	125,526
Contract liabilities	82,775	(82,775)	–
Non-current liabilities			
Deferred revenue	–	38,395	38,395
Contract liabilities	38,395	(38,395)	–

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

Impact on the consolidated statement of cash flows

	As reported	Adjustment	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
(Decrease) increase in trade and other payables and accruals	(3,043)	24,853	21,810
Increase in contract liabilities	24,853	(24,853)	–

There is no material impact on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 "Financial Instruments" and the related amendments (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	**Amortised cost (previously classified as loans and receivables)** HK$'000	**Deposits for life insurance contracts** HK$'000	**Accumulated profits** HK$'000
Closing balance at 31 March 2018 – HKAS 39		153,851	–	23,928
Reclassification				
From loans and receivables	(a)	(12,506)	12,506	–
Remeasurement				
Impairment under ECL model	(b)	(550)	–	(550)
Opening balance at 1 April 2018		140,795	12,506	23,378

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 "Financial Instruments" and the related amendments (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Notes:

(a) Deposits for life insurance contracts

Since 1 April 2018, deposits for life insurance contracts of HK$12,506,000 have been measured at cost adjusted for interest income and service charges, less impairment losses, if any.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Debtors have been assessed individually with aggregated outstanding balances exceeding HK$1,000,000 and the remaining debtors balances are grouped based on shared credit risk characteristics.

ECL for other financial assets at amortised cost, mainly comprise of bank balances and cash and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the impairment losses on trade receivables of HK$550,000 have been recognised against accumulated profits upon the application of HKFRS 9. The additional impairment losses is charged against the allowance account.

Allowance for credit losses on trade receivables as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 is as follows:

	HK$'000
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening accumulated profits	(550)
At 1 April 2018	(550)

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	At 31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	At 1 April 2018 HK$'000 (Restated)
Non-current Assets				
Property and equipment	7,311	–	–	7,311
Deposit paid for acquisition of properties	28,744	–	–	28,744
Prepayment and deposits	36,403	–	–	36,403
Deferred tax assets	93	–	–	93
	72,551	–	–	72,551
Current assets				
Inventories	9,390	–	–	9,390
Trade and other receivables, prepayments and deposits	122,698	–	(550)	122,148
Tax recoverable	2,905	–	–	2,905
Bank balances and cash	62,391	–	–	62,391
	197,384	–	(550)	196,834

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation (continued)

	At 31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	At 1 April 2018 HK$'000 (Restated)
Current liabilities				
Trade and other payables and accruals	110,915	(65,121)	–	45,794
Contract liabilities	–	65,121	–	65,121
Bank borrowings	8,585	–	–	8,585
Provision	1,826	–	–	1,826
Tax liabilities	2,710	–	–	2,710
	124,036	–	–	124,036
Net current assets	73,348	–	(550)	72,798
Total assets less current liabilities	145,899	–	(550)	145,349
Non-current liabilities				
Deferred revenue	31,196	(31,196)	–	–
Contract liabilities	–	31,196	–	31,196
Bank borrowings	12,723	–	–	12,723
	43,919	–	–	43,919
Net assets	101,980	–	(550)	101,430

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation (continued)

	At 31 March 2018 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	At 1 April 2018 HK$'000 (Restated)
Capital and reserves				
Share capital	10,000	–	–	10,000
Reserves	91,980	–	(550)	91,430
Total equity	101,980	–	(550)	101,430

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability would be allocated into a principal and an interest portion which would be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 "Leases" (continued)

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$16,945,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements would meet the definition of a lease. Upon application of HKFRS 16, the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,466,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits would be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The application of new requirements would result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and would recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in sue in HKAS 36 ''Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or service rendered in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Income from provision of service is recognised when services are provided. Service income received but not yet recognised as revenue are presented as deferred revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property and equipment

Property and equipment held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit scheme and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are assessed individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Deposits for life insurance contracts

Since 1 April 2018, deposits for life insurance contracts are stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. Debtors with aggregated outstanding balances exceeding HK$1,000,000 have been assessed individually and the remaining debtors balances are assessed collectively using a provision matrix grouped with shared credit risk characteristics.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer of the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the relevant financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. The Group usually writes off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the debtors with aggregated outstanding balances not exceeding HK$1,000,000 are each assessed as a separate group. The debtors with aggregated outstanding balances receivables exceeding HK$1,000,000 and other receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits for life insurance contracts and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial asset

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowance for inventories

Obsolete and slow-moving inventories were identified by management based on aging analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices and current market conditions. Allowance is recognised if the net realisable value is estimated to be below the cost.

Allowance for inventories of HK$2,570,000 (2018: HK$496,000) was recognised for the year ended 31 March 2019. The carrying amounts of inventories are HK$7,763,000 (2018: HK$9,390,000) as at 31 March 2019.

Estimated impairment of trade receivables

Upon the initial application of HKFRS 9 since 1 April 2018, the directors of the Company measure and assess lifetime ECL on (i) debtors with aggregated outstanding balances exceeding HK$1,000,000 individually; and (ii) remaining debtors based on provision matrix through grouping of various debtors that have similar loss pattern, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods.

The ECL assessment is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 16 and 27. The carrying amount of trade receivables is HK$92,590,000 (2018: HK$78,527,000) as at 31 March 2019.

5. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount and sales related taxes for the year.

(i) For the year ended 31 March 2019

An analysis of the Group's revenue from goods and services by segment for the year is as follows:

	HK$'000
Types of goods or services:	
IT Security Products business*	
– procurement of network security products, system security products and application and data security products	227,248
IT Security Services business*	
– provision of technical implementation services	25,882
– provision of maintenance and support services	116,280
	142,162
	369,410

* The segment names are defined in the section "Segment information" in note 6.

	HK$'000
Geographical markets:	
Hong Kong	294,810
Macau	18,045
Mongolian People's Republic ("Mongolia") (note)	6,332
The People's Republic of China ("PRC") (excluding Hong Kong and Macau)	27,656
Republic of Singapore ("Singapore")	22,567
	369,410

Note: The sales made to the customers located in Mongolia are through the operation of the Group's subsidiaries in Hong Kong and Singapore.

5. REVENUE (continued)

(i) For the year ended 31 March 2019 (continued)

Information about the Group's revenue from external customers is presented based on the locations of the shipments of goods or the services provided.

	HK$'000
Timing of revenue recognition:	
Over time	142,162
A point in time	227,248
	369,410

Performance obligations for contracts with customers

Revenue from procurement of network security products, system security products and application and data security products

Revenue from procurement of network security products, system security products and application and data security products is recognised when control of the products has been transferred to the customers, being at the point the products are delivered to the customer's specific location. Transportation and other related activities that occur before customers obtain control of the related products are considered as fulfilment activities. A receivable is recognised by the Group when the products are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 30 to 60 days upon delivery, which is approximate the time of issuing the invoices to the customers.

5. REVENUE (continued)

(i) For the year ended 31 March 2019 (continued)

Performance obligations for contracts with customers (continued)

Revenue from provision of technical implementation services

The Group provides technical implementation services to customers. Such services are recognised as a performance obligation satisfied over time as the Group enhances the assets that the customer controls as the assets are enhanced. The progress towards completing satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts (i.e. materials costs, direct staff costs and other direct costs incurred) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depicts the Group's performance in transferring control of products. The normal credit term is 30 to 60 days upon the issuance of invoices to the customers. The Group requires customers to provide upfront deposit range from 20% to 50% of total contract sum, when the Group receives the advance payment before the services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Revenue from provision of maintenance and support services

The Group provides maintenance and support services to customers. Such services are recognised as a performance obligation satisfied over time on a straight-line basis over the period of services as the customers simultaneously receives and consumes the benefits provided by the Group's performance. The normal credit term is 30 to 60 days upon the issuance of invoices to the customers. The Group requires customers to pay the total contract sum in advance, when the Group receives the advance payment before the services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

5. REVENUE (continued)

(i) For the year ended 31 March 2019 (continued)

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	Maintenance and support services
	HK$'000
Within one year	82,775
More than one year but not more than two years	24,289
More than two years	14,106
	121,170

(ii) For the year ended 31 March 2018

An analysis of the Group's revenue from goods and services by segment for the year is as follows:

	HK$'000
Types of goods or services:	
IT Security Products business*	
– procurement of network security products, system security products and application and data security products	182,224
IT Security Services business*	
– provision of technical implementation services	27,474
– provision of maintenance and support services	92,625
	120,099
	302,323

* The segment names are defined in the section "Segment information" in note 6.

6. SEGMENT INFORMATION

Segment revenue and results

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers ("CODM") that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

Details of the Group's operating and reportable segments are as follows:

(1) IT Security Products business refers to the procurement of network security products, system security products and application and data security products by the Group; and

(2) IT Security Services business refers to the provision of technical implementation and maintenance and support services to customers by the Group.

An analysis of the Group's operating and reportable segment revenue and segment results is as below:

	IT Security Products business HK$'000	IT Security Services business HK$'000	Total HK$'000
For the year ended 31 March 2019			
Segment revenue	**227,248**	**142,162**	**369,410**
Segment results	**53,558**	**44,937**	**98,495**
Other income			**762**
Other gains and losses, net			**(492)**
Distribution and selling expenses			**(26,242)**
Administrative and other expenses			**(38,772)**
Net impairment losses on trade receivables			**(70)**
Finance costs			**(647)**
Profit before taxation			**33,034**

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	IT Security Products business HK$'000	IT Security Services business HK$'000	Total HK$'000
For the year ended 31 March 2018			
Segment revenue	182,224	120,099	302,323
Segment results	39,382	45,374	84,756
Other income			849
Other gains and losses, net			816
Distribution and selling expenses			(22,192)
Administrative and other expenses			(40,676)
Finance costs			(506)
Profit before taxation			23,047

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, selling and distribution expenses, administrative and other expenses, net impairment losses on trade receivables, finance costs and taxation.

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the CODM for review.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong, Macau, the PRC (excluding Hong Kong and Macau) and Singapore. Information about the Group's revenue is analysed by location of the customers.

	2019 HK$'000	2018 HK$'000
Hong Kong	**294,810**	236,783
Macau	**18,045**	22,114
Mongolia (note)	**6,332**	5,898
The PRC (excluding Hong Kong and Macau)	**27,656**	21,000
Singapore	**22,567**	16,528
	369,410	302,323

Note: The sales made to the customers located in Mongolia are through the operation of the Group's subsidiaries in Hong Kong and Singapore.

Information about the Group's non-current assets (excluding deposits for life insurance contracts and deferred tax assets) which is presented based on geographical location of the assets, is as follows:

	2019 HK$'000	2018 HK$'000
Hong Kong	**31,565**	28,689
The PRC (excluding Hong Kong and Macau)	**781**	210
Macau	**1,208**	2,034
Singapore	**34,657**	29,019
	68,211	59,952

6. SEGMENT INFORMATION (continued)

Information about major customers

An analysis of revenue from customers contributing to over 10% of the Group's total revenue for the year is as follows:

	2019 HK$'000	2018 HK$'000
Customer A[1]	**46,184**	43,240
Customer B[1]	**57,025**	34,966

1 Revenue derived from IT Security Products business and IT Security Services business.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**146**	116
Interest income from deposits for life insurance contracts	**521**	467
Others	**95**	266
	762	849

8. OTHER GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Reversal of allowance for bad and doubtful debts	**–**	131
Fair value changes of derivative financial instruments	**–**	38
Net foreign exchange (loss) gain	**(522)**	637
Gain on disposal of property and equipment	**30**	10
	(492)	816

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	647	503
Interest on obligations under finance leases	–	3
	647	506

10. TAXATION

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong Profits Tax	6,064	3,814
PRC Enterprise Income Tax ("EIT")	369	401
Macau Complementary Tax	328	576
	6,761	4,791
Underprovision (overprovision) in respect of prior year:		
Hong Kong Profits Tax	6	(127)
Deferred tax charged (note 17)	93	201
	6,860	4,865

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 March 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK$2,000,000. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

10. TAXATION (continued)

For the year ended 31 March 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

PRC EIT is calculated at 25% of the assessable profits for both years.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for both years.

The Singapore Income Tax is determined by applying the Singapore tax rate of 17%. No provision of Singapore Income Tax was made as the subsidiaries in Singapore have incurred tax losses for the year ended 31 March 2019 and the assessable profits were absorbed by the tax losses carried forward for the year ended 31 March 2018.

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

	2019 HK$'000	2018 HK$'000
Profit before taxation	**33,034**	23,047
Taxation at Hong Kong Profits Tax rate of 16.5%	**5,451**	3,803
Tax effect of income not taxable for tax purposes	**(92)**	(122)
Tax effect of expenses not deductible for tax purposes	**275**	723
Utilisation of tax losses previously not recognised	**–**	(105)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(63)**	(42)
Tax effect of tax losses not recognised	**1,185**	463
Underprovision (overprovision) in prior year	**6**	(127)
Tax effect of two-tiered tax rate	**(165)**	–
Others	**263**	272
Taxation for the year	**6,860**	4,865

At 31 March 2019, the Group had estimated unused tax losses of approximately HK$11,437,000 (2018: HK$4,819,000) to offset against future profits which can be carried forward indefinitely. A deferred tax asset has been recognised in respect of estimated tax losses of HK$564,000 as at 31 March 2018. No deferred tax asset has been recognised for the remaining estimated tax losses due to the unpredictability of future profit streams.

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration (note 12)	**9,254**	9,475
Other staff costs	**42,778**	38,562
Share-based payments	**1,138**	1,860
Contributions to retirement benefits schemes	**2,643**	1,617
	55,813	51,514
Auditor's remuneration	**1,200**	1,200
Cost of inventories recognised as an expense (including the allowance for inventories of HK$2,570,000 (2018: HK$496,000))	**173,690**	142,842
Depreciation of property and equipment	**4,837**	3,750
Minimum lease payments in respect of office premises	**5,835**	6,457
Listing related expenses (included in administrative and other expenses) (note)	**–**	1,383

Note: The Company's shares have been listed on the GEM of the Stock Exchange on 19 April 2017. Total expenses directly attributable to the Listing ("Listing related expenses") were HK$1,423,000 and HK$17,665,000, respectively, during the years ended 31 March 2018 and 2017.

Included in the Listing related expenses, amounts of HK$40,000 and HK$241,000 for the years ended 31 March 2018 and 2017, respectively, represented interests on bank borrowings for the purpose of the settlement of the listing expenses and were incorporated in "finance costs" on the consolidated statement of profit or loss and other comprehensive income.

Included in the Listing related expenses, amounts of HK$1,205,000 and HK$633,000 for the years ended 31 March 2018 and 2017, respectively, were included in "administrative expenses" on the consolidated statement of profit or loss and other comprehensive income.

In order to conform with the presentation of the consolidated financial statements in current year, listing expenses of HK$178,000 and HK$16,791,000 previously presented as "listing expenses" were incorporated in "administrative and other expenses" on the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2018 and 2017, respectively.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Performance related bonus HK$'000 (note i)	Retirement benefits schemes contributions HK$'000	Total HK$'000
For the year ended 31 March 2019					
Executive directors					
Mr. Liu Yui Ting Raymond ("Mr. Raymond Liu')	–	1,944	648	78	2,670
Mr. Lee Sung Kei Francis	–	1,392	464	78	1,934
Mr. Lam Tak Ling	–	1,380	460	52	1,892
Mr. Von John	–	1,200	400	18	1,618
Non-executive directors					
Dr. Tang Sing Hing Kenny	240	–	–	–	240
Mr. Ashley Lo	360	–	–	–	360
Independent non-executive directors					
Mr. Yu Kwok Chun Raymond	180	–	–	–	180
Mr. Ng Tsz Fung Jimmy	180	–	–	–	180
Mr. Chan Siu Ming Simon	180	–	–	–	180
	1,140	5,916	1,972	226	9,254

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Performance related bonus HK$'000 (note i)	Retirement benefits schemes contributions HK$'000	Total HK$'000
For the year ended 31 March 2018					
Executive directors					
Mr. Raymond Liu	–	1,733	667	78	2,478
Mr. Lee Sung Kei Francis	–	1,237	383	77	1,697
Mr. Lam Tak Ling	–	1,155	645	48	1,848
Mr. Von John	–	1,039	311	18	1,368
Non-executive directors					
Dr. Tang Sing Hing Kenny	240	–	–	–	240
Mr. Ashley Lo (note ii)	90	693	500	48	1,331
Independent non-executive directors					
Mr. Yu Kwok Chun Raymond	171	–	–	–	171
Mr. Ng Tsz Fung Jimmy	171	–	–	–	171
Mr. Chan Siu Ming Simon	171	–	–	–	171
	843	5,857	2,506	269	9,475

Notes:

(i) Performance related bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) Mr. Ashley Lo has been re-designated as a non-executive director of the Company with effect from 1 January 2018.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Mr. Raymond Liu acts as the chairman and Mr. Lee Sung Kei Francis acts as the chief executive officer of the Company.

The emoluments of executive directors stated above were for their services in connection with their roles as directors of the Company and subsidiaries. The emoluments of non-executive directors and independent non-executive directors state above were for their services in connection with their roles as directors of the Company.

No remuneration was paid by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for both years. The directors of the Company have not waived any remuneration for both years.

Employees' emoluments

The five highest paid individuals of the Group include four (2018: three) directors of the Company for the year ended 31 March 2019, whose emoluments are included in the disclosures above. The emoluments of the remaining one (2018: two) individual for the year ended 31 March 2019, are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**1,248**	1,881
Performance related bonuses	**416**	938
Contributions to retirement benefits schemes	**18**	187
	1,682	3,006

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments (continued)

The number of five highest paid employees (including directors) of the Company whose remuneration fell within the following bands is as follows:

	2019 No. of employees	2018 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**4**	3
HK$2,000,001 to HK$2,500,000	**1**	1
	5	5

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

A final dividend of HK$0.03 per share of the Company in respect of the year ended 31 March 2019 has been proposed by the directors of the Company, which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

A final dividend of HK$0.01 per share of the Company in respect of the year ended 31 March 2018 has been declared and paid by the Company during the year ended 31 March 2019.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2019 HK$'000	2018 HK$'000
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**26,174**	18,182

	2019 Number of shares '000	2018 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,000,877**	987,671
Add: Effect of dilutive potential ordinary shares under share option scheme	**3,331**	4,161
Weight average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,004,208**	991,832

15. PROPERTY AND EQUIPMENT

	Properties	Leasehold improvements	Furniture, fixtures and office and computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 April 2017	–	6,869	2,642	2,345	11,856
Additions	–	663	890	569	2,122
Disposals	–	–	(25)	(383)	(408)
Exchange realignment	–	–	6	–	6
At 31 March 2018	–	7,532	3,513	2,531	13,576
Additions	31,379	3,283	2,109	–	36,771
Disposals	–	–	–	(818)	(818)
At 31 March 2019	31,379	10,815	5,622	1,713	49,529
ACCUMULATED DEPRECIATION					
At 1 April 2017	–	388	423	2,085	2,896
Provided for the year	–	2,564	847	339	3,750
Eliminated on disposals	–	–	(4)	(383)	(387)
Exchange realignment	–	–	6	–	6
At 31 March 2018	–	2,952	1,272	2,041	6,265
Provided for the year	471	2,885	1,165	316	4,837
Eliminated on disposals	–	–	–	(818)	(818)
At 31 March 2019	471	5,837	2,437	1,539	10,284
CARRYING VALUES					
At 31 March 2019	30,908	4,978	3,185	174	39,245
At 31 March 2018	–	4,580	2,241	490	7,311

15. PROPERTY AND EQUIPMENT (continued)

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Properties	2%
Leasehold improvements	Over the lease terms
Furniture, fixtures and office and computer equipment	20% – 33%
Motor vehicles	33%

16. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	2019	2018
	HK$'000	HK$'000
Current		
Trade receivables	**93,210**	78,527
Less: allowance for credit losses	**(620)**	–
	92,590	78,527
Prepayment to suppliers for maintenance and support services (note (ii))	**55,869**	39,156
Other tax receivables	**1,054**	3,070
Prepayment and others	**3,302**	1,945
	152,815	122,698
Non-current		
Rental deposits	**1,466**	1,484
Deposits for life insurance contracts (note (i))	**12,836**	12,506
Prepayment of life insurance charged (note (i))	**496**	537
Prepayment to suppliers for maintenance and support services (note (ii))	**26,704**	21,876
	41,502	36,403
Total trade and other receivables, prepayment and deposits	**194,317**	159,101

16. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS (continued)

Notes:

(i) In previous year, the Group entered into life insurance contracts with a bank to insure certain directors of the subsidiaries of the Company and certain staff. Under these policies, the beneficiary and policy holder is Edvance Technology (HK) and the total insured sum of approximately United States Dollar ("US$") 6,000,000 (equivalent to approximately HK$46,500,000) and paid gross payments of approximately US$1,538,000 (equivalent to approximately HK$11,920,000), including premium charges at inception of the policies amounting to approximately US$90,000 (equivalent to approximately HK$715,000). Edvance Technology (HK) may request a partial surrender or full surrender of all these insurance contracts at any time and receive cash back based on the account value of these policies ("Account Value") at the date of withdrawal, which is determined by the gross payments paid plus accumulated interest earned and minus any previously paid partial surrender and other relevant deductions. In addition, if withdrawal is made between the 1st to 15th or 18th policy year, depending on respective contracts, there is a specified surrender charge deducted from Account Value. The insurance company will pay Edvance Technology (HK) a guaranteed interest rate of 4.7% per annum for the first year of the contracts and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policies.

At the inception date, the gross premium was separated into deposit placed and prepayment of life insurance charged. The prepayment of life insurance charged, representing the policy premium charged by the bank, is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method before 1 April 2018. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of respective policy.

Since 1 April 2018, deposits for life insurance contracts are stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

The directors of the Company represent that the Group will not terminate these contracts nor withdraw cash prior to the end of the surrender period and the expected life of the policy remained unchanged from the initial recognition at each of the reporting period.

(ii) The amounts represented the prepayment made to the suppliers for their maintenance and support services to the Group. The prepayment is charged to profit or loss using straight-line method over the terms of maintenance and support contracts with suppliers and will form part of the Group's costs of services on maintenance and support services to customers of the Group. Amounts expected to be recognised as expense after twelve months of the reporting period are presented as non-current assets.

16. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS (continued)

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to approximately HK$92,590,000 and HK$78,527,000, respectively.

The Group allows a credit period of 30 to 60 days to its customers.

The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
0 to 30 days	56,762	44,112
31 to 60 days	14,777	19,710
61 to 90 days	10,429	7,900
91 to 120 days	3,554	3,007
121 to 365 days	7,068	3,798
	92,590	78,527

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$30,241,000 which are past due as at the reporting date. Out of the past due balances, approximately HK$6,399,000 has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the directors of the Company do not consider these receivables as credit-impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

As at 31 March 2018, aggregate carrying amounts of approximately HK$24,817,000, for which the Group has not provided for allowance for bad and doubtful debts as there were settlements subsequent to the end of the reporting period or there were continuous settlements by the respective customers and the amounts, are still considered recoverable. The Group does not charge any interest on, or hold any collateral over, these balances. The average overdue age of these receivables is 41.0 days as at 31 March 2018.

16. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS (continued)

Aging of trade receivables past due but not impaired

	2018 HK$'000
Overdue 0 to 30 days	13,834
Overdue 31 to 60 days	5,268
Overdue 61 to 90 days	2,842
Overdue 91 to 120 days	1,973
Overdue 121 to 180 days	792
Overdue over 180 days	108
	24,817

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including the creditworthiness, past collection history of each customer and/or the age and subsequent settlement of individual balance.

During the year ended 31 March 2018, the Group has reversed allowance for bad and doubtful debts of approximately HK$131,000 as a result of repayment of the receivables by the customers. The reversal of allowance for bad and doubtful debts have been included in "other gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are written off when considered as uncollectible.

Movement in the allowance for bad and doubtful debts

	2018 HK$'000
At the beginning of the reporting period	131
Reversal recognised	(131)
At the end of the reporting period	–

16. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS (continued)

Movement in the allowance for bad and doubtful debts (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to 31 March 2018. The trade receivables past due but not provided for as at 31 March 2018 were either subsequently settled or no historical default of payments was noted by the respective customers and the directors of the Company consider that no allowance is required.

Details of impairment assessment of trade and other receivables as at 31 March 2019 are set out in note 27.

17. DEFERRED TAX ASSETS

The followings are the deferred tax assets arising from tax losses recognised by the Group and movement thereon for both years.

	HK$'000
At 1 April 2017	294
Charged to profit or loss	(201)
At 31 March 2018	93
Charged to profit or loss	(93)
At 31 March 2019	–

18. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Finished goods, at net realisable value	**7,763**	9,390

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash and bank balances held by the Group with maturity of three months or less and carry interest at market rates at prevailing market interest rates for both years.

20. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade and other payables and accruals:

	2019 HK$'000	2018 HK$'000
Trade payables	32,934	33,691
Accrued expense	3,408	4,238
Accrued staff costs	6,031	6,015
Deferred revenue (note)	–	96,317
Others	378	1,850
	42,751	142,111
Analysed as:		
Current	42,751	110,915
Non-current	–	31,196
	42,751	142,111

Note: The amounts represent the prepayment received from the customers for the Group's maintenance and support services over the maintenance and support period. The deferred revenue is recognised as revenue using straight-line method over the terms of respective contracts, and amounts to be released to profit or loss after twelve months of the reporting period are presented as non-current liabilities. Upon application of HKFRS 15 on 1 April 2018, deferred revenue were reclassified as contract liabilities as disclosed in note 21.

The credit period ranges from 30 to 60 days. The following is an aging analysis of trade payables presented based on the invoice date.

20. TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

	2019 HK$'000	2018 HK$'000
0 to 30 days	25,345	25,897
31 to 60 days	2,378	2,602
61 to 90 days	217	–
91 to 120 days	–	–
121 to 365 days	11	207
Over 365 days	4,983	4,985
	32,934	33,691

21. CONTRACT LIABILITIES

	31.3.2019 HK$'000	1.4.2018* HK$'000
Contract liabilities from provision of maintenance and support services	121,170	96,317

Analysed for reporting purposes as:

	31.3.2019 HK$'000	1.4.2018* HK$'000
Current liabilities	82,775	65,121
Non-current liabilities	38,395	31,196
	121,170	96,317

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The contract liabilities are recognised as revenue using straight-line method over the terms of respective contracts and amounts to be released to profit or loss after twelve months of the reporting period are presented as non-current liabilities.

21. CONTRACT LIABILITIES (continued)

For maintenance and support service contracts, the Group requires customers to provide upfront deposits of full contract sum. When the Group receives a deposit before the services commence, this will give rise to contract liabilities at the start of a contract, until the revenue fully recognised on the specific contract. The typical payment term is 30 to 60 days upon the issuance of invoices to the customers.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities:

	Income from provision of maintenance and support services HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	65,121

22. BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Secured and guaranteed bank borrowings	**26,538**	21,308
Carrying amounts payable:		
Within one year	**2,224**	5,164
More than one year but not more than two years	**2,306**	1,727
More than two years but not more than five years	**4,886**	4,382
More than five years	**17,122**	10,035
	26,538	21,308
Less: Amounts due within one year or contain a repayment on demand clause	**(4,403)**	(8,585)
Repayable more than one year	**22,135**	12,723

22. BANK BORROWINGS (continued)

During the year ended 31 March 2018, the Group has drawn down a bank borrowing of Singapore Dollar ("SG$") 2,262,000 (approximately HK$13,443,000 at the draw down date) for purchase of properties located in Singapore. During the year ended 31 March 2019, the Group further drawn down a bank borrowing of SG$1,851,000 (approximately HK$10,773,000 at the draw down date). This borrowing carries interest of prevailing Enterprise Finance Rate ("EFR") minus a spread. The effective interest rate on the bank borrowing was 5.8% (2018: 5.7%) per annum as at 31 March 2019. The borrowing is repayable in 240 monthly instalments. The bank borrowing is secured by the deed of assignment of sale and purchase agreement relating to the properties and mortgage in escrow as mortgage of the properties as set out in note 33 and the corporate guarantees provided by the Group.

The remaining bank borrowings are at floating rate which carry interest at HK$/US$ Best Lending Rate ("BLR") minus a spread. The effective interest rate on the Group's bank borrowings was 6.5% (2018: 5.0% to 5.5%) per annum as at 31 March 2019. These bank borrowings are repayable on demand or repayable within one year and hence classified as current liabilities and are denominated in US$. These bank borrowings are also secured by the life insurance contracts as at 31 March 2019 and 2018 as set out in note 33.

23. PROVISIONS

During the year ended 31 March 2016, the Group has distributed certain IT securities products without obtaining the relevant sales licenses in the PRC. Pursuant to the relevant PRC law, distribution of products defined as the "special hardware or software products for protecting the security of computer information system" pursuant to the relevant laws should only be made after the distributor has obtained the relevant sales licence. If the sales licence is not obtained prior to distribution, the penalty for the distributor is the confiscation of illegal proceeds (i.e. sales from the products without obtaining sales license less related cost of products) and a fine up to 3 times of the illegal proceeds. The Group has made sales of HK$668,000 and resulted gross profit of HK$456,000 on the IT securities products without obtaining the relevant sales licences during the year ended 31 March 2016 and a provision of the penalty charge of HK$1,826,000 is recognised to the profit or loss in the same year. No such product was sold during the years ended 31 March 2019 and 2018 and no further provision was made.

According to the relevant PRC laws, where the sales of the relevant products without relevant sales licenses has not been discovered within two years after the completion of the sales transaction, no penalty shall be imposed by the relevant authorities. The Group did not receive any notices from relevant authorities regarding to those sales transaction since the last sales transaction made in August 2016. In the opinion of the directors of the Company, the Group should have no liability on the penalty charge and thus the provision of HK$1,826,000 is released to the profit or loss during the year ended 31 March 2019.

24. SHARE CAPITAL

Details of the shares of the Company are as follows:

	Number of shares	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017	100	–
Capitalisation issue (note i)	749,999,900	7,500
Issue of shares (note ii)	250,000,000	2,500
At 31 March 2018	1,000,000,000	10,000
Issue of shares upon exercise of share options (note iii)	1,446,000	14
At 31 March 2019	1,001,446,000	10,014

Notes:

(i) On 19 April 2017, 749,999,900 shares of the Company were issued to the then shareholders of the Company through capitalisation of HK$7,499,999 standing to the credit of share premium account of the Company.

(ii) The shares of the Company have been listed on the Stock Exchange on 19 April 2017. 250,000,000 shares of HK$0.01 each of the Company were issued at an offer price of HK$0.32 per share.

(iii) During the year ended 31 March 2019, a total of 1,446,000 new ordinary shares of HK$0.01 each were issued upon exercise of the share options of the Company.

All issued shares of the Company rank pari passu in all respects with each other.

25. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government of Shenzhen. The subsidiaries are required to contribute 5% to 10% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The employees of the Group's subsidiaries in Singapore are members of a national pension scheme. The subsidiaries are required to contribute 10% to 15% of payroll costs to the Central Provident Fund to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

At 31 March 2019 and 2018, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

The total expenses recognised in profit or loss of HK$2,869,000 (2018: HK$1,886,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group represents bank borrowings and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and raising of new borrowings.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Amortised cost	166,410	–
Loans and receivables (including cash and cash equivalents)	–	153,851
Financial liabilities		
Amortised cost	69,289	67,102

Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain monetary assets and monetary liabilities of the Group are denominated in foreign currencies. The carrying amounts of such monetary assets and monetary liabilities recognised are as follows:

	Denominated in Renminbi ("RMB") HK$'000	Denominated in US$ HK$'000	Denominated in SG$ HK$'000
As at 31 March 2019			
Trade receivables	–	8,942	145
Bank balances and cash	102	5,147	8,849
Trade and other payables	–	(30,749)	–
Bank borrowings	–	(3,426)	(23,112)

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

	Denominated in RMB HK$'000	Denominated in US$ HK$'000	Denominated in SG$ HK$'000
As at 31 March 2018			
Trade receivables	–	1,168	469
Deposits for life insurance contracts	–	12,506	–
Bank balances and cash	7,159	5,911	7,156
Trade and other payables	–	(30,169)	–
Bank borrowings	–	(4,437)	(13,395)

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

Sensitivity analysis

The change in exchange rate of HK$ against US$ has not been considered in the sensitivity analysis as HK$ is pegged to US$. In the opinion of the directors of the Company, the Group does not expect any significant movements between the exchange rate of US$ against HK$. Hence, only sensitivity of the change in foreign exchange rate of HK$ against other foreign currencies is considered. The following table details the Group's sensitivity to a 5% increase and decrease in other foreign currencies against HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding other foreign currencies denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit-tax profit for the year where other foreign currencies strengthens 5% against HK$. For a 5% weakening of other foreign currencies against HK$, there would be an equal and opposite impact on the result, and the balances below would be negative.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

	2019 HK$'000	2018 HK$'000
(Decrease) increase in post-tax profit for the year:		
– SG$	(589)	(241)
– RMB	4	268

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's variable-rate bank balances and variable-rate bank borrowings (notes 19 and 22, respectively) as at 31 March 2019. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank's HK$/US$ BLR and EFR.

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest income from financial assets that are measured at amortised cost during the year ended 31 March 2019 is as follows:

	HK$'000
Other income	146

Total interest income from financial assets (including bank balances and deposits for life insurance contracts) that are measured at amortised cost during the year ended 31 March 2018 is as follows:

	HK$'000
Other income	583

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2019	2018
	HK$'000	HK$'000
Financial liabilities at amortised cost	**647**	503

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank borrowings. The analysis is prepared assuming bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. Each year, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

A positive number below indicates a decrease in post-tax profit for the year where the interest rate had been 50 basis points higher and all other variable were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

	2019	2018
	HK$'000	HK$'000
Decrease in post-tax profit for the year	**111**	88

For the variable-rate bank balances the directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate for the years ended 31 March 2019 and 2018. Accordingly, no sensitivity analysis on interest rate risk is presented.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and bank balances and cash as at 31 March 2019 and 2018.

As at 31 March 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit rating system to assess the potential customer's credit quality and defines credit limits by customer. Except for debtors with aggregated outstanding balances exceeding HK$1,000,000 which are assessed for impairment individually, the remaining debtors are grouped under a provision matrix into four internal credit rating buckets (namely: low risk, medium risk, high risk and doubtful) based on shared credit risk characteristics by reference repayment histories for recurring customers and current past due exposure for the new customers. Limits and scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix.

As at 31 March 2019, the Group had concentration of credit risk as 15% (2018: 20%) of the total trade receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 49% (2018: 56%) of the total trade receivables as at 31 March 2019.

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information starting from 1 April 2018. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. The Group performs impairment assessment under 12-month ECL model upon application of HKFRS 9 (2018: incurred loss model). As at 31 March 2019, the Group assessed the ECL for other receivables was insignificant as the exposure of other receivables is insignificant.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balances and cash

The Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and therefore the directors of the Company consider the risk of default is low. The Group uses 12-month ECL to perform the assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on balances individually based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 31 March 2019, the directors of the Company consider the credit risk is limited and thus the ECL is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Medium risk	Debtor repays after due dates but usually settle in full within 90 days after due date over the past year	Lifetime ECL – not credit-impaired	12-month ECL
High risk	Debtor has history in repayment of the balance which has been overdue for more than 90 days over the past year	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets (trade receivables, other receivables and bank balances and cash), which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts HK$'000
Financial assets at amortised cost					
Trade receivables	16	N/A	(note 1)	Lifetime ECL (provision matrix)	18,089
			Low risk	Lifetime ECL	75,121
Other receivables	16	N/A	(note 2)	12-month ECL	95
Bank balances and cash	19	Aa3 to Baa3	N/A	12-month ECL	73,725

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Apart from debtors with aggregated outstanding balances exceeding HK$1,000,000, the Group determines the ECL on these items using a provision matrix grouped with reference to past default experience for recurring customers and current past due exposure for new customers.

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its Group's operation. Debtors with aggregated outstanding balances exceeding HK$1,000,000 with gross carrying amounts of HK$75,121,000 as at 31 March 2019 were assessed individually. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit-impaired).

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

1. (continued)

Internal credit rating	Average loss rate	Gross carrying amount
	%	HK$'000
Low risk	0.3	3,844
Medium risk	1.5	9,306
High risk	4	4,939
		18,089

The estimated loss rates on trade receivables are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, the PRC and Singapore, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2019, the Group provided impairment allowance of HK$28,000 for trade receivables, based on the provision matrix. Impairment allowance of approximately HK$42,000 was provided for debtors which are assessed individually with aggregated outstanding balances exceeding HK$1,000,000 during the year ended 31 March 2019.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	**Not past due/ no fixed repayment terms** HK$'000	**Total** HK$'000
Financial assets at amortised cost			
Other receivables	–	95	95

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Trade receivables under lifetime ECL (not credit-impaired) HK$'000
As at 31 March 2018 under HKAS 39	–
Adjustment upon application of HKFRS 9	550
As at 1 April 2018	550
Changes due to financial instruments recognised as at 1 April:	
– Impairment loss reversed	(550)
New financial assets originated	620
As at 31 March 2019	620

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate % per annum	On demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2019									
Trade and other payables and accruals	N/A	–	42,751	–	–	–	–	42,751	42,751
Bank borrowings – variable-rate	5.9	3,426	425	1,480	2,604	7,336	24,674	39,945	26,538
		3,426	43,176	1,480	2,604	7,336	24,674	82,696	69,289

	Weighted average effective interest rate % per annum	On demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2018									
Trade and other payables and accruals	N/A	–	45,794	–	–	–	–	45,794	45,794
Bank borrowings – variable-rate	5.5	7,913	279	842	1,320	5,961	18,800	35,115	21,308
Provision	N/A	1,826	–	–	–	–	–	1,826	1,826
		9,739	46,073	842	1,320	5,961	18,800	82,735	68,928

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

As at 31 March 2019 and 2018, bank borrowings with a repayment on demand clause is included in the "On demand" time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amount of these bank borrowings amounted to approximately HK$3,426,000 (2018: HK$7,913,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Group will be repaid after the end of the reporting period in accordance with the scheduled repayment dates as set out in the loan agreement.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate % per annum	Less than 3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 31 March 2018 HK$'000
Bank borrowings:								
As at 31 March 2019	6.5	298	893	1,191	1,396	–	3,778	3,426
As at 31 March 2018	5.2	633	1,267	2,836	1,183	2,481	8,400	7,913

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

28. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**5,238**	4,741
After one year but within five years	**11,707**	1,541
	16,945	6,282

Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years.

29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions:

	2019 HK$'000	2018 HK$'000
Marketing expenses to Wepro180 (Hong Kong) Limited ("Wepro180") (note)	1,375	–
Services fees expenses to Columns Asia Limited ("Columns Asia") (note)	168	452

Note: Mr. Raymond Liu is the controlling shareholder of Columns Asia and Wepro180.

Compensation of key management personnel

The remuneration of the executive directors and other members of key management during both years were as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	9,944	10,977
Post-employment benefits	299	363
	10,243	11,340

30. CAPITAL COMMITMENT

At 31 March 2019, the Group has capital commitments of HK$300,000 (2018: HK$1,592,000) in respect of the property and equipment contracted but not provided for.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued listing expenses	Bank borrowings	Obligations under finance leases	Dividends payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	7,475	27,022	146	–	34,643
Financing cash flows (note)	(7,475)	(6,217)	(149)	–	(13,841)
Finance costs recognised	–	503	3	–	506
At 31 March 2018	–	21,308	–	–	21,308
Financing cash flows (note)	–	4,583	–	(10,007)	(5,424)
Dividends declared	–	–	–	10,007	10,007
Finance costs recognised	–	647	–	–	647
At 31 March 2019	–	26,538	–	–	26,538

Note: The financing cash flows represented the finance costs, payments of listing expenses, repayments to bank borrowings and obligation under finance leases and dividends paid.

32. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed by the shareholders of the Company on 23 March 2017. The purpose of the Share Option Scheme is to provide incentives and to recognise and acknowledge the contributions which the participants have made or may make to the Group.

The Share Option Scheme will expire on the 10th anniversary since the date of adoption. Under Share Option Scheme, the directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) any director, employee, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which the Company or any subsidiary holds any interest ("Invested Entity");

(ii) any discretionary trust the discretionary objects of which include any director, employee, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or any Invested Entity; and

(iii) any corporation wholly-owned by any person mentioned in clause (i) above.

The total number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the Share Option Scheme without prior approval by the shareholders of the Company.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company, without prior approval by the shareholders of the Company.

Options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the independent non-executive directors (excluding any independent non-executive directors who is a grantee of the options).

32. SHARE OPTION SCHEME (continued)

Options granted to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, under the Share Option Scheme and any other share option schemes of the Company would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million must obtain prior approval from the shareholders of the Company.

Options granted must be taken up within 21 days of the date of grant upon payment of HK$1 per each grant of options. The exercise period of the options granted under the Share Option Scheme shall be determined by the directors of the Company when such options are granted, provided that such period shall not end later than 10 years from the date of grant.

The subscription price is determined by the directors of the Company and will not be lower than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's share.

At 31 March 2019, none of the grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates.

At 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 12,176,000 (2018: 15,210,000) representing 1.2% (2018: 1.5%) of the shares of the Company in issue at that date.

The following table details and movements of the Company's share options granted under the Share Option Scheme held by employees during the year ended 31 March 2019 and 2018:

Grantees	Date of grant	Exercise price (note i) HK$	Exercisable period (note ii)	As at 1 April 2017	Granted during the year	Forfeited during the year (note iv)	As at 31 March 2018	Exercised during the year (note iii)	Forfeited during the year (note iv)	As at 31 March 2019	Exercisable at 31 March 2019	Exercisable at 31 March 2018
Employees of the Group	7 July 2017	0.65	7 July 2018 to 6 July 2025	–	18,000,000	(2,790,000)	15,210,000	(1,446,000)	(1,588,000)	12,176,000	4,874,000	–

32. SHARE OPTION SCHEME (continued)

Notes:

(i) The closing price per share immediately before 7 July 2017 (the date on which the share options were granted) was HK$0.63.

(ii) Share options granted under the Share Option Scheme on 7 July 2017 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of share options to vest
First anniversary of the date of grant	40% of the total number of share options granted
Second anniversary of the date of grant	30% of the total number of share options granted
Third anniversary of the date of grant	30% of the total number of share options granted

The share options are valid for a period of five years commencing from the Vesting Date.

(iii) The share options have been exercised during the year as disclosed in note 24. The weighted average share price immediately before the dates of exercise is HK$0.99.

(iv) The share options were forfeited due to resignation of employees during both years.

The estimated fair value of the options granted on 7 July 2017 is HK$4,790,000. The fair value of the share options was determined using binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioral considerations.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The inputs into the model were as follows:

	40% of the total number of options granted	30% of the total number of options granted	30% of the total number of options granted
Grant date stock price	HK$0.63 per share	HK$0.63 per share	HK$0.63 per share
Exercise price	HK$0.65 per share	HK$0.65 per share	HK$0.65 per share
Option life	6 years	7 years	8 years
Risk-free rate (note a)	1.30%	1.38%	1.44%
Volatility (note b)	45.33%	45.21%	45.58%
Dividend yield (note c)	0.00%	0.00%	0.00%

32. SHARE OPTION SCHEME (continued)

Notes:

(a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills.

(b) Based on the historical price volatility of selected comparable companies with similar business nature of the Group.

(c) Estimated by reference to the historical dividend payout of the Company.

Fair value of share options determined at the date granted is expensed over the vesting date. During the year ended 31 March 2019, the Group recognised the total expense of HK$1,138,000 (2018: HK$1,860,000) in relation to share options granted by the Company with a corresponding adjustment recognised in the Group's share option reserve.

33. PLEDGE OF ASSETS

Save as disclosed elsewhere in the consolidated financial statements, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Property and equipment	**30,908**	–
Deposits for life insurance contracts	**12,836**	12,506
	43,744	12,506

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Company as at 31 March 2019	2018	Principal activities
Best Gear	BVI	US$100	**100%**	100%	Investment holding
Subsidiaries of Best Gear					
Edvance Holdings Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Green Radar (Hong Kong) Limited (formerly known as "Edvance Consulting (Hong Kong) Limited")	Hong Kong	HK$100,000	**100%**	100%	Provision of IT Security Services
Edvance Technology (Hong Kong)	Hong Kong	HK$100,000	**100%**	100%	Distribution of IT Security products and provision of IT Security services
Edvance Technology (China) Limited (note(i)) 安領科技（深圳）有限公司	The PRC	RMB2,000,000	**100%**	100%	Distribution of IT Security Products and provision of IT Security Services
Edvance Technology (Macau) Limited	Macau	Macau Pataca 25,000	**100%**	100%	Distribution of IT Security Products and provision of IT Security Services
Edvance Technology (Singapore) Limited	Singapore	SG$100,000	**100%**	100%	Distribution of IT Security Products and provision of IT Security Services
Edvance Investment Limited	BVI	US$1	**100%**	100%	Investment holding
Edvance Property Singapore Investment (Singapore) Pte. Ltd	Singapore	SG$1	**100%**	100%	Investment holding
Green Radar (SG) Pte Limited (note(ii))	Singapore	SG$100,000	**100%**	–	Provision of IT Security Services
Green Radar Technology Research Centre Limited (note(ii))	Hong Kong	HK$1	**100%**	–	Provision of IT Security Services
Edvance Information Technology Development Company Limited (notes (i) and (ii)) 安領信息科技发展（深圳）有限公司	The PRC	RMB5,000,000	**100%**	–	Provision of IT Security Services

Notes:

(i) Edvance Technology (China) Limited and Edvance Information Technology Development Company Limited were established in the PRC in the form of wholly foreign-owned enterprise.

(ii) These subsidiaries are newly set-up during the year ended 31 March 2019.

34. PARTICULARS OF SUBSIDIARIES (continued)

Except for Best Gear, which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year and during the year.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	1	1
Amounts due from subsidiaries	48,173	42,862
	48,174	42,863
Current assets		
Amount due from a subsidiary	33,400	33,400
Other receivables	139	282
Bank balances and cash	4,127	11,986
	37,666	45,668
Current liabilities		
Other payables	1,726	2,347
Amount due to a subsidiary	7,450	–
	9,176	2,347
Net current assets	28,490	43,321
Total assets less current liabilities	76,664	86,184
Capital and reserve		
Share capital (note 24)	10,014	10,000
Reserves	66,650	76,184
Total equity	76,664	86,184

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Reserves of the Company

	Share premium HK$'000	Share option reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 April 2017	–	–	(16,907)	(16,907)
Profit and total comprehensive income for the year	–	–	28,706	28,706
Issue of shares (note 24)	77,500	–	–	77,500
Capitalisation issue (note 24)	(7,500)	–	–	(7,500)
Transaction costs directly attributable to issue of shares	(7,475)	–	–	(7,475)
Recognition of equity settled share-based payments	–	1,860	–	1,860
At 31 March 2018	62,525	1,860	11,799	76,184
Loss and total comprehensive expense for the year	–	–	(1,591)	(1,591)
Issue of shares upon exercise of share options	1,280	(354)	–	926
Transfer to accumulated profits upon forfeiture of share options	–	(2)	2	–
Dividends paid (note 13)	–	–	(10,007)	(10,007)
Recognition of equity settled share-based payments	–	1,138	–	1,138
At 31 March 2019	63,805	2,642	203	66,650

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in the FY2019 results announcement and annual report in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"cloud"	internet-based computing that provides shared computer processing resources and data to IT devices via the internet
"DevOps"	an enterprise software development phrase used to mean a type of agile relationship between development and IT operations
"hardware"	the collection of physical components that constitute a computer system "IT" information technology
"IoT"	a system of interrelated computing devices, machines and digital machines that are provides with unique identifiers and the ability to transfer data over a network without human-to-human or human-to-computer interaction
"IT"	information technology
"IT Security"	IT Security, also known as cyber security or computer security, is to safeguard IT systems including hardware, software and information from disclosure, damage as well as disruption and misdirection
"IT Security Products"	hardware or software manufactured or developed for the protection of computer systems from theft or damage to the hardware, software or the information therein, as well as from disruption or misdirection of the services they provide. In the context of our Group, "IT Security Products" includes (i) network security products; (ii) system security products; and (iii) application and data security products
"IT Security Services"	the support and consulting services for the purpose of IT system protection. In the context of our Group, "IT Security Services" includes (i) technical implementation services; (ii) maintenance and support services; and (iii) consulting services
"IT Security Solutions"	being a sub-set of IT Solutions, refers to the integrated and customised solutions of IT Security Products and IT Security Services for satisfying the IT Security needs of customers
"IT Solutions"	the application of the combination of electronic equipment and corresponding value-added services, such as data storage, transmission, retrieval, manipulation, etc, for satisfying the IT needs of customers
"network"	a group of two or more computer systems linked together which allows them to exchange data
"software"	part of a computer system that consists of encoded information or computer instructions, in contrast to the physical hardware from which the system is built