

The logo for edvance, with 'ed' in grey and 'vance' in blue.

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

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1410

The text 'ANNUAL REPORT 2019/20' in white, set against a dark blue background. The background features a diagonal split between dark blue and green, with abstract line graphics and a repeating '1410' watermark in the green section.

ANNUAL REPORT
2019/20

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Independent non-executive Directors

Mr. Yu Kwok Chun Raymond
Mr. Ng Tsz Fung Jimmy
Mr. Chan Siu Ming Simon
Mrs. Wong Hung Flavia Yuen Yee
(Appointed on 23 March 2020)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPLIANCE OFFICER

Mr. Von John

COMPANY SECRETARY

Mr. Yuen Chun Fai (*HKICPA*)
(Appointed on 1 June 2020)
Ms. Wong Man Shan (*HKICPA*)
(Resigned on 1 June 2020)

AUTHORISED REPRESENTATIVES

Mr. Von John
Mr. Yuen Chun Fai (*HKICPA*)
(Appointed on 1 June 2020)
Ms. Wong Man Shan (*HKICPA*)
(Resigned on 1 June 2020)

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F., One Pacific Place
88 Queensway
Hong Kong

CORPORATE INFORMATION (continued)

COMPLIANCE ADVISER

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

LEGAL ADVISOR

Holman Fenwick Willan
15th Floor, Tower One, Lippo Centre,
89 Queensway,
Admiralty,
Hong Kong

PRINCIPAL BANKER

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

STOCK CODE

1410

COMPANY'S WEBSITE ADDRESS

www.edvanceintl.com

FIVE YEARS FINANCIAL SUMMARY

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

	For the year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
RESULTS					
Revenue	394,330	369,410	302,323	222,060	176,999
Gross profit	104,840	98,495	84,756	61,528	53,193
Profit before taxation	31,018	33,034	23,047	585	17,960
Profit (Loss) for the year attributable to					
– owners of the Company	23,344	26,174	18,182	(5,414)	11,990
– non-controlling interests	–	–	–	3,124	2,702
Profit (Loss) for the year	23,344	26,174	18,182	(2,290)	14,692
Excluding non-recurring listing and transfer of listing related expenses	7,923	–	1,423	17,665	–
Normalized profit for the year attributable to owners of the Company	31,267	26,174	19,605	12,251	11,990

	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	94,492	81,047	72,551	36,409	22,309
Current assets	241,510	234,303	197,384	118,201	83,905
Non-current liabilities	(68,492)	(60,530)	(43,919)	(22,532)	(13,842)
Current liabilities	(154,596)	(134,974)	(124,036)	(122,883)	(80,304)
Net current assets (liabilities)	86,914	99,329	73,348	(4,682)	3,601
Net assets	112,914	119,846	101,980	9,195	12,068

FIVE YEARS FINANCIAL SUMMARY (continued)

	For the year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
CASH FLOWS					
Net cash generated from (used in) operating activities	42,414	23,798	11,402	(1,358)	12,580
Net cash used in investing activities	(3,064)	(8,151)	(33,887)	(5,897)	(9,034)
Net cash (used in) from financing activities	(39,364)	(4,484)	66,159	13,842	2,135
Net (decrease) increase in cash and cash equivalents	(14)	11,163	43,674	6,587	5,681
Cash and cash equivalents at beginning of the year	73,725	62,391	18,499	12,494	6,862
Effect of exchange rate changes	(152)	171	218	(582)	(49)
Cash and cash equivalents at end of the year	73,559	73,725	62,391	18,499	12,494

	For the year ended 31 March				
	2020	2019	2018	2017	2016
FINANCIAL RATIOS					
Net profit margin ^{1*}	7.9%	7.1%	6.5%	5.5%	6.8%
Return on equity ^{2*}	27.7%	21.8%	19.2%	133.2%	118.3%
Return on total assets ^{3*}	9.3%	8.3%	7.3%	7.9%	11.3%
Current ratio ⁴	1.6	1.7	1.6	1.0	1.0
Quick ratio ⁵	1.5	1.7	1.5	0.9	0.9
Gearing ratio ⁶	31.0%	22.1%	20.9%	295.5%	101.8%
Debt to equity ratio ⁷	Net Cash	Net Cash	Net Cash	94.3	Net Cash
Interest coverage ^{8*}	22.3	52.1	46.5	15.0	27.5
Average inventory turnover days	10.2	12	12	19	24
Average trade receivables turnover days	83	85	84	81	61
Average trade payables turnover days	47	45	52	61	54

FIVE YEARS FINANCIAL SUMMARY (continued)

Notes

- * Excluding non-recurring listing and transfer of listing related expenses
1. Net profit margin is calculated based on the profit attributable to owners of the Company for the year divided by the revenue for the respective year.
 2. Return on equity is calculated based on the profit attributable to owners of the Company for the year divided by the equity attributable to owners of the Company as at the respective year end and multiplied by 100%.
 3. Return on total assets is calculated based on the profit attributable to owners of the Company for the year divided by the total assets as at the respective year end and multiplied by 100%.
 4. Current ratio is calculated based on the total current assets as at the respective year end divided by total current liabilities as at the respective year end.
 5. Quick ratio is calculated based on the total current assets minus inventories as at the respective year end divided by total current liabilities as at the respective year end.
 6. For gearing ratio, it is defined as the sum of amounts due to related parties and directors, bank borrowings, obligation under finance leases and lease liabilities, as at the respective year end divided by total equity as at the respective year end and multiplied by 100%.
 7. Debt to equity ratio is calculated based on the total debt (defined as the sum of the amounts due to related parties, amounts due to directors, bank borrowings, obligations under finance leases and lease liabilities) as at the respective year end minus cash and cash equivalents as at the respective year end divided by total equity as at the respective year end and multiplied by 100%.
 8. Interest coverage ratio is calculated based on the profit before interest and tax for the respective year divided by interest paid for the respective year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of our Company, I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2020 ("FY2020").

FY2020 has been a challenging year. Enterprises were generally more conservatives, while international and local situations remained uncertain. Our business managed to sustain steady growth of 6.7% year-on-year despite a general slowdown of the economy in Hong Kong, the Group observed that there was a strong demand for online commerce and compliance related cybersecurity needs and cybersecurity needs against emerging cyberthreats generally increased.

Our established recurrent business segment remains strong and steady, coupled with growth in our new business segment, which reflect that despite market uncertainties, cybersecurity needs are growing steadily. As such the Group focused on self-developed technology a core focus in the past year, with the view that this would transform the availability of next generation cybersecurity products and services to a bigger target market via cloud technology.

According to a market research report prepared by Frost & Sullivan Limited on the IT Security Solutions industry in Hong Kong, the PRC, Singapore and Macau dated September 2019, our Group is the largest IT Security Solutions provider in Hong Kong, representing 11.0% of the market share in terms of total revenue in 2018. In 2019, our Group continue to expand and remains to be a leading player in the IT Security market in Hong Kong. Our Group successfully transferred to the Main Board of the Hong Kong Stock Exchange ("Stock Exchange") in December 2019, marking a significant milestone in the history of the Group, with more potential to bring about better returns for our shareholders.

The Group invested heavily in our Green Radar subsidiary throughout the year. Taking advantage of the cloud-based self-developed technologies, Green Radar offers cybersecurity solutions as a service. It is essentially a low-cost recurrent business made available to the larger community. With initial success this year, we believe Green Radar is a scalable platform and we expect it will contribute significantly to our overall success in the coming years. We will continue to innovate and incubate additional technologies and making them available when appropriate.

We have adjusted our marketing approach by integrating the use of social media into our overall corporate communication and marketing strategies. We believe that the use of social media offers a direct channel to professionals in the technology industry and allows our messages to be heard clearly, directed to a wider relevant audience, bringing up their cybersecurity market awareness. This could help us launch new products and services into the market.

In summary, we want to deliver a message that the world is evolving with respect to cybersecurity needs and our Group has been preparing to anticipate with such needs. Although, our operating environment is currently facing constant changes, we will continue to ensure our core business is well ran, whilst transforming and innovating to capture opportunities of tomorrow.

Finally, on behalf of the Board, I would like to express once again my sincere appreciation to all of our business partners, customers and suppliers for their unswerving support as well as our dedicated staff for their solid contributions throughout in the past year.

LIU Yui Ting Raymond
Chairman and Executive Director

Hong Kong, 22 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

FY2020 has been a great year for the Group. The Group continued to be a leading value-added distributor of cybersecurity products and provider of related professional services with business operations in Hong Kong, the PRC, Singapore and various markets.

The Group made overall strong headway in developing new businesses and projects, both with existing and new end-user clients. There was a strong push to virtualize services and provide services to the masses via cloud technology. There was also a strong demand for compliance related cybersecurity needs for various sectors, which ultimately make use of technologies to form part of the overall architecture and solution to satisfy the compliance requirements. These were some of the factors that influenced our growth in the past year.

Equally important is our recurrent business which grows steadily year-on-year, the Group continues to benefit from strong renewal rate and stickiness with our clients, requiring consistent maintenance and support services. The Group considers renewal business a cornerstone of our overall success and we endeavor to maintain significant resources to ensure our client needs' are sufficiently met.

On the other hand, the Group continued to develop Green Radar in FY2020. New modules and enhancements were built and integrated, offering more complete solution to our clients. Operational routines were developed and implemented to improve overall security threat detection and response effectiveness. With an objective to make cybersecurity services available to the masses, we believe this will be an important growth engine in the near future.

OUTLOOK

Cybersecurity solutions market continue to be a growing and evolving market. Migration of services to online environment for local businesses continue to create new demands in cybersecurity solutions and the Group continues to see there is an immediate tangible demand in the short-term, while longer term outlook remains positive. While demands for cybersecurity services are observed from smaller organizations as well as individual users of mobile services. The Group sees that these demands will drive the growth of Green Radar in the short term, in conjunction with our business partners, in particular in the telecommunication sector.

The Group continues to see fundamental shortage in cybersecurity expertise locally, together with the growth of cybersecurity threats and the way they target new users and clients, creates both risks and opportunity for the Group. While there might be larger demand for cybersecurity solutions, the Group must equip with the appropriate cybersecurity expertise to capture the market.

In summary, we expect business demands continue to remain strong for the coming year. The Group will continue to deliver cybersecurity solutions to our end user clients, while maintaining an active approach to penetrate into new market segment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$24.9 million, or 6.7% from approximately HK\$369.4 million for the year ended 31 March 2019 (“FY2019”) to approximately HK\$394.3 million for FY2020. The increase was mainly attributable to the increase in IT security services business which comprises technical implementation services and maintenance and support services, as a result of increasing cybersecurity demand.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$6.3 million, or 6.4% from approximately HK\$98.5 million for FY2019 to approximately HK\$104.8 million for FY2020. The increase was in line with the increase in revenue. Our gross profit margin remain stable at 26.6% for FY2020 as compared with 26.7% for FY2019.

Other income

Our other income mainly comprises bank interest income and interest income from deposits for life insurance contracts that we purchased for certain Directors and senior management of the Group.

Other gains and losses, net

Our other gains and losses mainly comprise net foreign exchange gain or loss and loss on disposal of property and equipment. Net foreign exchange gain of approximately HK\$146,000 was incurred for FY2020, which was mainly due to fluctuation of United States Dollars, Renminbi and Singapore Dollars, while net foreign exchange loss of approximately HK\$522,000 was noted for FY2019.

Distribution and selling expenses

Our distribution and selling expenses decreased by approximately HK\$1.4 million, or 5.3% from approximately HK\$26.2 million for FY2019 to approximately HK\$24.8 million for FY2020. The decrease was mainly due to reduction in travelling and marketing expenses.

Administrative and other expenses

Our administrative and other expenses increase by approximately HK\$9.7 million, or 25.0% from approximately HK\$38.8 million for FY2019 to approximately HK\$48.5 million for FY2020. The increase was mainly due to the listing related expenses for transfer of listing of the Company’s shares from GEM to the Main Board of the Stock Exchange amounted to approximately HK\$7.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Finance costs

Our finance costs increased by approximately HK\$0.9 million, or 150.0% from approximately HK\$0.6 million for FY2019 to approximately HK\$1.5 million for FY2020. The increase was mainly attributable to interest on lease liabilities recognised according to Hong Kong Financial Reporting Standard 16 which was applied in FY2020.

Taxation

Our taxation increased by approximately HK\$0.8 million, or 11.6% from approximately HK\$6.9 million for FY2019 to approximately HK\$7.7 million for FY2020. The increase was mainly due to higher taxable profit in FY2020 as a result of increased gross profit.

Profit for the year attributable to owners of the Company

The profit attributable to owners of the Company for FY2020 was approximately HK\$23.3 million. Excluding the non-recurring transfer of listing related expenses of approximately HK\$7.9 million, the Group should have recorded profit attributable to owners of the Company of approximately HK\$31.2 million, which increased by approximately HK\$5.0 million or 19.1% from approximately HK\$26.2 million for FY2019. The increase was mainly attributable to increase in revenue and gross profit.

Cash flow

The net cash generated from operating activities increased by HK\$18.6 million from approximately HK\$23.8 million in FY2019 to approximately HK\$42.4 million in FY2020, representing an increment of 78.2%. The increase in cash generated was mainly attributable to increase in revenue and better receivable management for the year.

Dividend

The Board recommends the payment of a final dividend of HK\$0.01 per share for FY2020 (FY2019: HK\$0.03 per share).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

We financed our operation mainly through cash generated from our operating activities. As at 31 March 2020 and 2019, we had cash and cash equivalents of approximately HK\$73.6 million and HK\$73.7 million respectively. The Group's gearing ratio was approximately 31.0% and 22.1% as at 31 March 2020 and 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE

As at 31 March 2020, the capital structure of the Company comprised issued share capital and reserves.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no significant capital commitment (31 March 2019: 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 operating and reportable segment and by geographical locations of customers is set out in note 6 of the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group does not have plans for material investments and capital assets as at 31 March 2020.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no any significant investment material acquisitions or disposals of subsidiaries and affiliated companies during FY2020.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group has no material contingent liabilities (FY2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in United States 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 FY2020.

CHARGE ON GROUP'S ASSETS

As at 31 March 2020, 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 24 of the consolidated financial statements.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 90 employees (as at 31 March 2019: 86 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 of approximately HK\$59.4 million and HK\$55.8 million for FY2020 and FY2019, respectively.

The remuneration package for the Group's employees generally includes salary and bonuses. The Group's employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. The Group conducts annual review of the performance of the Group's employees for determining the level of bonus, salary adjustment and promotion of the Group's employees. The Group also conducts research on the remuneration packages offered for similar positions in Hong Kong in order to keep the Group's remuneration packages at a competitive level. The Company has also adopted the Share Option Scheme, which is designed to provide incentives and rewards to the Group's employees.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the use of proceeds as set out in the Prospectus with the Group's actual business progress up to the date of this report is set out below:

Objectives	Implementation plan	Actual business progress up to the date of this report	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date up to the date of this report (HK\$ million)
Expansion and renovation of our Hong Kong headquarters	<ul style="list-style-type: none"> – Payment for renovation works for the new office premises with additional spaces for training and seminar rooms and warehouse 	The Group completed the expansion of its headquarters which was fully operational in July 2017	3.2	3.2
Establishment of the Service Hub	<ul style="list-style-type: none"> – Purchase relevant hardwares such as monitors – Purchase detection devices, logging devices and servers – Maintain and/or upgrade detection devices, logging devices to support the smooth operation of the Service Hub 	The Group completed the establishment of the Service Hub in July 2019	2.4	2.4
Expansion of operation in Singapore as our Service Hub and its renovation	<ul style="list-style-type: none"> – Deposit for the acquisition of new office premise for the Service Hub together with renovation of the same 	The Group completed the expansion of its Singapore Service Hub which was fully operational in November 2018	22.5	22.5
Upgrading our management system	<ul style="list-style-type: none"> – Initiate the implementation of a ERP System to integrate and automate our internal business processes – Set up a new web portal to form a community for IT professionals – Initiate the implementation of a business analytics platform to analyse our business performance and management reporting – Review and maintain the ERP System, web portal and business analytics platform 	The Group completed upgrading its management system in June 2019	3.7	3.7

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Objectives	Implementation plan	Actual business progress up to the date of this report	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date up to the date of this report (HK\$ million)
Upgrading network infrastructure	– Maintain and/or upgrade relevant hardware such as servers and system monitoring etc. to ensure the smooth operation of the Hong Kong headquarters	The Group had upgraded the network infrastructure which had been implemented in its business operations	1.2	1.2
Investment in demonstration Equipment	– Purchase additional demonstration equipment for the Group's pitching activities	Demonstration equipments were purchased for the Group's pitching activities	3.0	3.0
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training, workshops, public relations event, sponsoring public events etc.	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	1.2	1.2
Expanding our workforce	– Hire (i) two sales staff, seven IT technical staff and two administrative staff in Hong Kong; and (ii) three sales staff, four technical staff and two administrative staff in Singapore – Conduct training and workshops for our employees	The Group employed twelve IT technical staff, nine sales staff and ten administrative staff in Hong Kong and Singapore	16.7	16.7
General working capital	– to be used as working capital and funding for other general corporate purposes according to our Group's business plans	The Group remains focused on maintaining and investing in the Group's working capital to fund the Group's business expansion and to enhance the Group's operating liquidity which facilitate the growth of the Group's business	2.1	2.1
Total			56.0	56.0

The net proceeds from the share offer of the new shares as referred to in the Prospectus was approximately HK\$56.0 million, which has been fully utilised as at the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Yui Ting Raymond (廖銳霆) (“Mr. Raymond Liu”), aged 51, was appointed as the chairman and re-designated as an executive Director on 21 November 2016. He is one of the founders of the Group and has been a director of certain subsidiaries of the Company. Mr. Raymond Liu is responsible for the overall business development, strategic planning and major decision-making of the Group. Mr. Raymond Liu is also a shareholder and director of Success Vision, the controlling shareholder of the Company, which is beneficially interested in approximately 56.92% of the total issued share capital of the Company.

Mr. Raymond Liu has over 28 years of experience in the IT industry. Mr. Raymond 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. Raymond Liu then worked at HewlettPackard 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. Raymond 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) (“Mr. Francis Lee”), aged 42, was appointed as the chief executive officer and an executive Director on 21 November 2016. He joined the 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 the Group.

Mr. Francis Lee has over 18 years of experience in the IT industry. Mr. Francis 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. Francis 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) (also known as Wong Kai Meng), aged 55, was appointed as an executive Director on 21 November 2016. He joined the 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 the Group. Mr. Von John 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 John has over 30 years of experience in business consulting industry. Mr. Von John 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 John 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 John 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) (“Mr. Lam”), aged 49, was appointed as an executive Director on 21 November 2016. He joined the 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT [continued]

NON-EXECUTIVE DIRECTOR

Dr. Tang Sing Hing Kenny (鄧聲興) (“Dr. Kenny Tang”), aged 51, was appointed as a non-executive Director on 21 November 2016. Dr. Kenny 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. Kenny 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. Kenny 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. Kenny Tang was the responsible officer of China Hong Kong Capital Asset Management Company Limited since April 2018 to February 2019. Dr. Kenny Tang is currently the co-founder and chief executive officer of Royston Securities Limited since March 2019.

Dr. Kenny 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. Kenny 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) (“Mr. Ashley Lo”), aged 55, was re-designated as a non-executive Director on 1 January 2018.

Mr. Ashley Lo is one of the founders of the Group and has been a technology director since August 2002. Mr. Ashley Lo has over 29 years of experience in the IT industry. Prior to joining to the 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. Ashley Lo was a technology director of Edeas Limited, a digital agency based in Hong Kong.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT [continued]

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Yu Kwok Chun Raymond (余國俊) (“**Mr. Raymond Yu**”), aged 64, 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. Raymond 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. Raymond 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. Raymond 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. Raymond 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. Raymond 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. Raymond 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. Raymond 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. Raymond 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. Raymond Yu graduated from McGill University in Canada with a bachelor’s degree in commerce, majoring in management information systems in June 1982. Mr. Raymond Yu was the honorary secretary of the Hong Kong Computer Society from 2001 to 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT [continued]

Mr. Ng Tsz Fung Jimmy (吳子豐) (“**Mr. Jimmy Ng**”), aged 57, 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. Jimmy 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. Jimmy 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. Jimmy 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. Jimmy Ng was a general manager of Tianjin Viction (Group) Company (天津)維信集團有限公司), and Mr. Jimmy 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. Jimmy 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. Jimmy 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. Jimmy 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. Jimmy Ng was the chief operating officer of GEM Group Consultant Limited. From September 2014 to January 2018, Mr. Jimmy Ng was the general manager of the control management division of Bridgestone Aircraft Tire Co (Asia) Limited.

Mr. Jimmy 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT [continued]

Mr. Chan Siu Ming Simon (陳兆銘) (“**Mr. Simon Chan**”), aged 52, 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. Simon 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. Simon 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. Simon 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.

Mrs. Wong Hung Flavia Yuen Yee (黃洪琬貽) (also known as Ms. Hung Yat Yee Flavia 洪逸儀) (“**Ms. Flavia Hung**”), aged 52, was appointed as an independent non-executive Director on 23 March 2020, has around 30 years of finance and management experience. Prior to joining the Company, Ms. Flavia Hung is a financial planner of AIA International Limited since March 2018. Ms. Flavia Hung has worked at different Hong Kong listed companies over the years, Ms. Flavia Hung worked (i) as the chief investment officer at Combest Holdings Limited (Stock Code: 8190) from February 2010 to September 2017; (ii) as an executive director of Man Sang International Limited (stock code: 938) from August 2008 to August 2009. Ms. Flavia Hung has also worked at GCS-CIMB Securities (Hong Kong) Limited (formerly known as CIMB-GK Securities (HK) Limited), DBS Asia Capital Limited, Vickers Ballas Capital Limited, and the listing division of the Stock Exchange.

Ms. Flavia Hung holds a bachelor’s degree in business administration from California State University, Los Angeles, USA, and membership of the Institute of Financial Planners of Hong Kong. Ms. Flavia Hung has entered into a letter of appointment with the Company on 23 March 2020.

Save as disclosed above, each of the Directors (i) has not held any directorships in any public companies (the securities of which are listed on any securities market in Hong Kong or overseas) in the last three years; (ii) does not have any family relationship with any other Directors, senior management or substantial or controlling Shareholders of the Company; and (iii) does not hold any positions in the Company or other members of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT [continued]

SENIOR MANAGEMENT

Mr. Tang Sui Cheong (鄧瑞昌) (“Mr. Tang”), aged 51, joined the Group in January 2015. He is a technical services director and he is responsible for overseeing the overall technical services of the 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) (“Ms. Law”), aged 40, joined the Group in December 2003, she is the strategic projects and corporate development director since February 2020. She joined the Group as an IT specialist and was promoted to a business operation manager in April 2008. From March 2017 to February 2020, she was the internal control and compliance director, responsible for managing internal compliance matters of the Group.

Ms. Law has over 17 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) (“Ms. Tsai”), aged 44, joined the Group in September 2016. She is a managing director of Edvance Technology (Hong Kong) Limited. 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. She was a product manager of ACW Distribution (HK) Ltd from April 2007 to January 2009. Ms. Tsai joined Wafer Systems (Hong Kong) Ltd in October 2001 as a sales manager and became a regional sales manager from July 2003 to January 2005.

Ms. Tsai obtained an honor diploma in business administration from Hong Kong Shue Yan University in 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT [continued]

COMPANY SECRETARY

Ms. Wong Man Shan Joyce (王敏珊) (“Ms. Wong”), aged 35, joined the Group in October 2016 and was appointed as the company secretary of the Company. Ms. Wong resigned as company secretary of the Company on 1 June 2020.

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.

Mr. Yuen Chun Fai (阮駿暉) (“Mr. Yuen”), aged 41, is appointed as the company secretary of the Company on 1 June 2020. Mr. Yuen is primarily responsible for overseeing the company secretarial matters of the Group.

Mr. Yuen has over 16 years’ experiences in the field of financial reporting, financial management and audit in Hong Kong, China, Malaysia and Singapore. Mr. Yuen holds a Bachelor Degree of Science in Accounting and Finance from The London School of Economics and Political Science obtained in 2002. Mr. Yuen is a fellow member of the Association of Chartered Certified Accountants and also a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Yuen is currently an executive director, the company secretary and the compliance officer of WLS Holdings Limited (Stock Code: 8021), a company whose shares are listed on GEM of the Stock Exchange; and an independent non-executive director of Elegance Commercial And Financial Printing Group Limited (Stock Code: 8391), a company whose shares are listed on GEM of the Stock Exchange. From June 2014 to August 2017, Mr. Yuen was an independent non-executive director of China Biotech Services Holdings Limited (formerly known as Rui Kang Pharmaceutical Group Investments Limited) (Stock Code: 8037), a company whose shares are listed on GEM of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2020.

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 14 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

In the opinion of the Directors, save for the deviation of code provision A.6.7 of the CG Code (as disclosed in the paragraph headed "BOARD COMMITTEES" Below), the Company has complied with the Code Provisions as set out in the CG Code during for the year ended 31 March 2020 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 report.

CORPORATE GOVERNANCE REPORT (continued)

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:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- to review the 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, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc., which is to be 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 for the year ended 31 March 2020 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

CORPORATE GOVERNANCE REPORT (continued)

Independent non-executive Directors

Mr. Yu Kwok Chun Raymond

Mr. Ng Tsz Fung Jimmy

Mr. Chan Siu Ming Simon

Mrs. Wong Hung Flavia Yuen Yee (Appointed on 23 March 2020)

The nomination committee of the Company (the “Nomination Committee” or “NC”) ensures the composition of the Board constitutes a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current Board composition of four (4) executive Directors, two (2) non-executive Directors and four (4) independent non-executive Directors (the “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 Listing Rules from time to time. The INEDs are expressly identified in all corporate communications of the Company.

During the year ended 31 March 2020, the Board has at all times met the requirements of the 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 Listing Rules.

There is a balance of skills and experience 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.

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 Listing Rules from time to time. The Company also maintains on the website of the Company (www.edvanceintl.com) and the Stock Exchange (www.hkexnews.hk) an updated list of current Directors (by category) identifying their roles and functions.

Independent non-executive Directors

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 have been duly considered. Each of the INED, including Ms. Flavia Hung, who was appointed as an INED on 23 March 2020, has confirmed in writing his/her independence to the Company pursuant to Rule 3.13 of the Listing Rules and the Board considers that all the INEDs are independent.

Relationship amongst Directors

Save as elsewhere disclosed in this annual report, the Board members has no financial, business, family or other material/relevant relationships with each other.

CORPORATE GOVERNANCE REPORT (continued)

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 and renewable automatically for successive terms of one (1) year each commencing from the day next after the expiry of the then current term of the appointment, subject to retirement and re-election in accordance to the Articles of Association of the Company (the “Articles”) and the 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 and renewable automatically for successive terms of one (1) year each commencing from the day next after the expiry of the then current term of the appointment, subject to retirement and re-election in accordance to the Articles and the 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 Listing Rules, any 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 Friday, 31 July 2020 (“2020 AGM”) and be eligible to offer themselves for re-election at the 2020 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 2020 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 FOR DIRECTORS

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.

CORPORATE GOVERNANCE REPORT (continued)

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 Company, etc. and that he is fully aware of his responsibilities and obligations under the 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 Islands 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 2020 and 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 Tui 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	✓	✓
Mrs. Wong Hung Flavia Yuen Yee (Appointed on 23 March 2020)	✓	✓

CORPORATE GOVERNANCE REPORT (continued)

Besides, the Company keeps circulating information and materials to develop and update Directors' (Mr. Raymond Liu, Mr. Francis Lee, Mr. Von John, Mr. Lam, Dr. Kenny Tang, Mr. Ashley Lo, Mr. Raymond Yu, Mr. Jimmy Ng, Mr. Simon Chan and Ms. Flavia Hung) 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 ("Audit Committee" or "AC"), Nomination Committee, remuneration committee ("Remuneration Committee" or "RC") and investment committee ("Investment Committee" or "IC") 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 meetings of Board Committees are kept by the company secretary of the Company 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:

	Number of meetings attended/eligible to attend					
	AGM	Board	AC	RC	NC	IC
Executive Directors						
Mr. Liu Yui Ting Raymond	1/1	4/4	N/A	1/1	1/1	1/1
Mr. Lee Francis Sung Kei	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Von John	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Lam Tak Ling	1/1	4/4	N/A	N/A	N/A	N/A
Non-Executive Directors						
Dr. Kenny Tang	0/1	3/4	N/A	N/A	N/A	1/1
Mr. Lo Wai Ho Ashley	1/1	4/4	N/A	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Yu Kwok Chun Raymond	1/1	4/4	4/4	1/1	1/1	N/A
Mr. Ng Tsz Fung Jimmy	1/1	4/4	4/4	1/1	1/1	1/1
Mr. Chan Siu Ming Simon	1/1	4/4	4/4	1/1	1/1	N/A
Mrs. Wong Hung Flavia Yuen Yee (Appointed on 23 March 2020)	N/A	1/1	N/A	N/A	N/A	N/A

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

In addition to regular Board meetings, under code provision A.2.7 of the Listing Rules, the chairman should at least annually hold meetings with the independent non-executive Directors without the executive Directors present (the "Chairman and Independent non-executive Directors Meeting"). During the year, one Chairman and Independent non-executive Directors Meeting was held.

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 of the Company and are available for inspection by the Directors at all times.

CORPORATE GOVERNANCE REPORT (continued)

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 of 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. Raymond Liu.

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. Francis Lee.

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.edvanceintl.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 Director, Dr. Kenny Tang was unable to attend the Company's annual general meeting held on 8 August 2019.

CORPORATE GOVERNANCE REPORT (continued)

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 20 December 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. Simon Chan, Mr. Jimmy Ng and Mr. Raymond Yu. Mr. Jimmy Ng currently serves as the chairman of the AC, who holds the appropriate professional qualifications as required under rules 3.10(2) and 3.21 of the Listing Rules.

Pursuant to code provision C.3.3 of the CG code, the members of the AC should liaise with the board and senior management and meet the external auditors at least twice a year. During the year ended 31 March 2020 and up to the date of this annual report, the members of the AC met twice with the external auditors. During the year ended 31 March 2020 and up to the date of this annual report, the individual attendance records of the each member at the meeting of the AC is set out on page 29 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 met 4 times, of which 2 of the meetings was also with the presence of the senior management of the Company and performed the following major tasks:

- 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;
- Discussion of the internal control system with management to ensure that management has performed its duty to have an effective internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- Review and discussion of major investigation findings on internal control matters and management's response to these findings;
- Review and monitor the internal control effectiveness;
- Review and discussion of the risk management and internal control system of the Group;

CORPORATE GOVERNANCE REPORT (continued)

- Discussion and recommendation of the re-appointment of external auditor; and
- Review of the Company's continuing connected transactions for the year ended 31 March 2020 pursuant to the Listing Rules.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 March 2020 and up to the date of this report.

During the year ended 31 March 2020, 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.

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 20 December 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 NC consists of one (1) executive Director, namely Mr. Raymond Liu, and all three (3) independent non-executive Directors, namely Mr. Simon Chan, Mr. Jimmy Ng and Mr. Raymond Yu. Mr. Simon Chan currently serves as the chairman of the NC.

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:

- 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;
- Assessment of the independence of the existing INEDs;

CORPORATE GOVERNANCE REPORT (continued)

- Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Articles of Association;
- Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements; and
- Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

REMUNERATION COMMITTEE

The Company established the Remuneration 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 20 December 2019 to incorporate amendments to the Listing Rules. The revised 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. Raymond Liu, and all three (3) independent non-executive directors, namely Mr. Simon Chan, Mr. Jimmy Ng and Mr. Raymond Yu. Mr. Raymond Yu 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 FY 2020 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	2
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 2020 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 2020 and up to the date of this annual report, the individual attendance records of the each member at the meeting of the RC is set out on page 29 of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

Set out below is a summary of the work and related tasks performed by the RC during the period:

- 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 2020
- reviewed all the senior management's remuneration paid during the year ended 31 March 2020 with reference to the Board's corporate goals and objectives
- considered the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group
- reviewed and made recommendation to the Board on the remuneration packages of individual Directors and senior management for the coming year
- 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. Raymond Liu, one (1) non-executive director, namely Dr. Kenny Tang and one (1) independent non-executive director, namely Mr. Jimmy Ng. Mr. Raymond Liu currently serves as the chairman of the IC.

During the year ended 31 March 2020, the members of the Investment Committee met once. During the year ended 31 March 2020 and to the date of this annual report, the individual attendance records of each member at the meeting of the IC is set out on page 29 of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity of Board members. The Company 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 also recognises the importance of gender diversity. The Board currently comprises nine male Directors. The Board would use its best efforts to identify and appoint suitable female candidate(s) as well as engage more resources in training female staff in the Group with an aim to promoting them to senior position in the Group. 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. Details of the Board Diversity Policy are set out 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 would be based on meritocracy, and candidates would be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership would 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.

For the purpose of implementation of the Board Diversity Policy, the Company aims to enhance gender diversity of the Board by appointing one female Director, Ms. Flavia Hung, at 23 March 2020. Furthermore, the board diversity policy provides that the Board shall take opportunities to balance our Board members' gender diversity over time when selecting and making recommendations on suitable candidates for Board appointments, with the ultimate goal of bringing our Board to gender parity. To develop a pipeline of potential female successors to the Board, the Company takes necessary steps to identify and maintain a list of women candidates with a diverse range of skills, experience and knowledge in different fields by emphasising on training and providing career opportunities for the senior female employees who have long and relevant experience with our business, so as to equip them with the capability to lead the Group. The list of female candidates would be reviewed by the Nomination Committee on a half-yearly basis.

CORPORATE GOVERNANCE REPORT (continued)

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 2020, the individual attendance records of each Nomination Committees at the meeting of the NC is set out on page 29 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

CORPORATE GOVERNANCE REPORT (continued)

- 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 3.13 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 3.13 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.

CORPORATE GOVERNANCE REPORT (continued)

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.

COMPANY SECRETARY

The 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.

Subsequent to the financial year ended 31 March 2020, Mr. Yuen has been appointed as the company secretary of the Company since 1 June 2020, subsequent to Ms. Wong resignation as the Company Secretary on the same date. Each of Ms. Wong and Mr. Yuen has complied with all the required qualifications, experiences and training requirements under the Listing Rules. For the year ended 31 March 2020, Ms. Wong has complied with the Listing Rules by taking not less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility in preparing the consolidated financial statements that give a true and fair view of the state of affairs of the Group and that of the results and cash flows in the relevant financial year. In preparing the financial statements for the year ended 31 March 2020, the Directors have selected appropriate accounting policies, applied them consistently in accordance with appropriate International Financial Reporting Standards, International Accounting Standards and the related interpretations, and made adjustments and estimates are prudent and reasonable.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The responsibilities of the external auditors to the Shareholders are set out in the section headed "Independent Auditor's Report" on pages 68 to 74 of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

Auditors' Remuneration

During the year, the Company's auditor, Deloitte Touche Tohmatsu, provided to the Company its audit services in relation to the audit of annual financial statements.

During the year ended 31 March 2020, 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	2020 HK\$'000	2019 HK\$'000
Audit services	1,350	1,200
Non-audit services-taxation	79	81

CORPORATE GOVERNANCE FUNCTIONS

The Board has carried out its duties and responsibilities as set out in D.3 of the CG Code including (i) the development of policies and practices on corporate governance; (ii) monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to the employees of the Company and the Directors; and (iv) reviewing compliance of the Company with the CG Code and the disclosure in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Appendix 10 of the 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 2020 and 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 2020 and up to the date of this report.

CORPORATE GOVERNANCE REPORT (continued)

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 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.

CORPORATE GOVERNANCE REPORT (continued)

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 the Company's policies and adopted by the Company.

For the year ended 31 March 2020, 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 CONTROL FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted the Inside Information Policy for the Company since the 2017 for monitoring inside information to ensure compliance with the 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 Inside Information Policy are summarised 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 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 Inside Information 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 Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

CORPORATE GOVERNANCE REPORT (continued)

Dissemination of Inside Information

Inside information is announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.edvanceintl.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 2020 AGM of the Company will be held on Friday, 31 July 2020, the notice of which shall be sent to the Company's shareholders in accordance with the Articles of Association of the Company, the Listing Rules and other applicable laws and regulations.

SHAREHOLDERS' RIGHTS

The Group recognises Shareholder's rights in exercising control proportionate to their equity ownership. As one of the measures to safeguard Shareholders' interest and rights, separate resolutions are proposed at the Shareholder's meetings on each substantial issue, including the election of Director(s), for Shareholder's consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by way of poll, which is conducted and scrutinised by the Company's share registrar. Poll results are announced and posted on the website of both the Company and the Stock Exchange.

Shareholders to convene an extraordinary general meeting

Pursuant to Article 64 of the memorandum and articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT (continued)

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing to the principal place of business of the Company in Hong Kong or by email for the attention of the secretary of the Company.

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

Address: 39th Floor, Monterey Plaza, 15 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong
Tel: (825) 3184 9400
Fax: (852) 3521 1667
Email: info@edvanceintl.com

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

Procedures for Shareholders to propose a person for election as a Director

Pursuant to Article 113 of the memorandum and articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under the Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

CORPORATE GOVERNANCE REPORT (continued)

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.edvanceintl.com);
- b. periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- c. corporate information is made available on the Company's website;
- 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 Listing Rules.

A copy of the memorandum and articles of association of the Company is posted on the designated website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.edvanceintl.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 2020 (the “Reporting Period”). It is prepared in accordance with the Environment, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 of the Listing Rules.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

[continued]

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:

		2019	2020
Purchased Electricity	Total (kWh)	150,851	158,901
GHG emissions	Total (kg)	95,036	112,349
GHG emissions per employee	Total (kg/employee)	1,462	1,518

Notes:

1. The Group’s core business is in Hong Kong. The number of employees working in Hong Kong office is 74 out of 90 in the whole group as at 31 March 2020.
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?” on the Stock Exchange’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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

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:

		2019	2020
Energy Consumption	Total (kWh)	150,851	158,901
Energy consumption per employee	Total (kWh/employee)	2,321	2,147

Notes:

1. The Group's core business is in Hong Kong. The number of employees working in Hong Kong office is 74 out of 90 in the whole group as at 31 March 2020.
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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

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 in a unified and regulatory way.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

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, Sports Day, Health Day, Christmas Party, Annual Dinner 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

[continued]

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

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 noticed.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

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 Yang Memorial Methodist Social Service for elderly services such as materials delivery and caregiving support to the senior citizens
- made donations to Yang Memorial Methodist Social Service
- 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 2016-2020, in recognition of our long-term contributions and commitment for the environment, our employees as well as the community.

DIRECTORS' REPORT

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for year ended 31 March 2020. The listing of the Shares were successfully transferred from GEM of the Stock Exchange to the Main Board of the Stock Exchange on 24 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the distribution of IT Security Products and the provision of IT Security Services in Hong Kong, Macau, the PRC and Singapore.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2020 and a discussion on the Group's future business development, and also the Group's performance during the year ended 31 March 2020 are set out in the "Management Discussion and Analysis" on pages 7 to 14 of this annual report.

REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue from operating and reportable segment 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 2016, 2017, 2018, 2019 and 2020, as extracted from the Prospectus and the consolidated financial statements is set out on pages 4 to 6 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 of this annual report.

The Board has recommended a final dividend of HK\$0.01 per Share (FY2019: HK\$0.03 per share) out of distributable reserve 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 2020 are set out in note 13 to the consolidated financial statements, the final dividend will be payable on or around 31 August 2020 to the Company's shareholders whose names appear on the register of the members of the Company on Tuesday, 11 August 2020.

DIRECTORS' REPORT (continued)

TRANSFER OF LISTING

On 8 October 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of and permission to deal in (i) 1,001,446,000 Shares in issue; and (ii) the 10,656,000 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The approval has been granted by the Stock Exchange for the Shares to be listed on the Main Board and to be delisted from GEM on 23 December 2019. The last day of dealings in the Shares on GEM (stock code: 8410) was 23 December 2019 and dealings in the Shares on the Main Board (stock code: 1410) commenced on 24 December 2019. The Transfer of Listing has no effect on the existing share certificates in respect of the Shares which have continued to be good evidence of legal title and be valid for trading, settlement and registration purposes and have not involved any transfer or exchange of the existing share certificates.

PROPERTY AND EQUIPMENT

Details of movements in the property 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 the movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Details of the activities of all of its subsidiaries as at 31 March 2020 are set out in the note 35 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT (continued)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2020, amounted to approximately HK\$80,345,000 (2019: approximately HK\$64,008,000). 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. Jimmy Ng (chairman of the Audit Committee), Mr. Simon Chan and Mr. Raymond Yu. 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 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 15.5% and 44.7% (2019: approximately 15.4% and 41.2%) of the Group's total revenue for the year, respectively.

DIRECTORS' REPORT (continued)

During the year ended 31 March 2020, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 26.6% and 74.7% (2019: 22.0% and 71.1%) 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 during the year and up to the date of this annual report were as follows:

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

DIRECTORS' REPORT (continued)

Independent non-executive Directors

Mr. Yu Kwok Chun Raymond

Mr. Ng Tsz Fung Jimmy

Mr. Chan Siu Ming Simon

Mrs. Wong Hung Flavia Yuen Yee (*Appointed on 23 March 2020*)

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. Raymond Liu, Mr. Jimmy Ng, Mr. Simon Chan and Ms. Flavia Hung will retire and be eligible to offer themselves for re-election at the 2020 AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 15 to 22 under the section headed Biographical Details of Director and Senior Management of this report.

DIRECTORS' SERVICE CONTRACTS

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. Ashley Lo commencing from 1 January 2018, and each of the independent non-executive Director's appointment is for an initial term of three (3) years, commencing from the Listing Date, 19 April 2017, save for the appointment of Ms. Flavia Hung commencing from Company at 23 March 2020, subject to retirement and re-election in accordance to the Articles and 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 2020 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).

DIRECTORS' REPORT (continued)

EMOLUMENT POLICY

The emoluments of the Directors 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 33 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 2020, no contract concerning the management and administration of the whole or any substantial part of the business of the Group.

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 62 in this annual report and note 30 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' REPORT (continued)

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

As at 31 March 2020, 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 notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, are set out below:

Long Positions

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of Shareholding ⁽¹⁾
Mr. Raymond Liu ⁽²⁾	Interest in controlled corporation	570,000,000	56.92%
Mr. Lo Wai Ho Ashley ⁽²⁾	Interest in controlled corporation	570,000,000	56.92%
Mr. Von John ⁽³⁾	Interest in controlled corporation	60,000,000	5.99%
Dr. Kenny Tang ⁽⁴⁾	Interest in 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 2020, 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. Raymond Liu and 40.79% by Mr. Ashley Lo respectively, therefore, they were deemed to be interested in the 570,000,000 Shares under the SFO.
- (3) 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.
- (4) This represents the Shares held by Earning Gear Inc. ("Earning Gear"), a company was wholly-owned by Dr. Kenny Tang and therefore he was deemed to be interested in the 75,000,000 Shares under the SFO.

DIRECTORS' REPORT (continued)

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 Option Scheme" of this annual report.

Save as disclosed above, as at 31 March 2020 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 the Appendix 10 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" in this annual report, at no time during the year ended 31 March 2020 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 POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020 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:

DIRECTORS' REPORT (continued)

Long Positions

Name	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of Shareholding ⁽⁸⁾
Success Vision ⁽¹⁾	Beneficial owner	570,000,000	56.92%
Ms. Cheng Chui Ying ⁽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 ⁽⁵⁾	Interest of spouse	75,000,000	7.49%
Mind Bright ⁽⁶⁾	Beneficial owner	60,000,000	5.99%
Ms. Cheung Mo Chi ⁽⁷⁾	Interest of spouse	60,000,000	5.99%

Notes:

- (1) Success Vision was beneficially owned as to 59.21% by Mr. Raymond Liu and 40.79% by Mr. Ashley Lo respectively, therefore, they were deemed to be interested in the 570,000,000 Shares under the SFO.
- (2) Ms. Cheng Chui Ying is the spouse of Mr. Raymond Liu and was therefore deemed to be interested in the Shares in which Mr. Raymond Liu was interested in under the SFO.
- (3) Ms. Lin Fai is the spouse of Mr. Ashley Lo and was therefore deemed to be interested in the Shares in which Mr. Ashley Lo was interested in under the SFO.
- (4) Earning Gear is wholly-owned by Dr. Kenny Tang 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. Kenny Tang and was therefore deemed to be interested in the Shares in which Dr. Kenny Tang interested in under the SFO.
- (6) Mind Bright is wholly-owned by Mr. Von John, 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. Von John and was therefore deemed to be interested in the Shares in which Mr. Von John, Director was interested in under the SFO.
- (8) The percentage has been compiled based on the total number of ordinary shares of the Company in issue (1,001,446,000 shares) as at 31 March 2020, and the date of this report.

DIRECTORS' REPORT (continued)

Save as disclosed above, as at 31 March 2020 and up to the date of this 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 2020 are set out in note 30 to the consolidated financial statements. To the best knowledge of the Directors, these related party transactions constituted exempted connected transactions under Rule 14A.76(1) of the 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.

COMPETING INTERESTS

During the year ended 31 March 2020, none of our Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Listing Rules.

DEED OF NON-COMPETITION

The controlling Shareholders, namely Mr. Raymond Liu, Mr. Ashley Lo 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.

DIRECTORS' REPORT (continued)

SHARE OPTION SCHEME

On 23 March 2017, the Company had conditionally approved and adopted the Share Option Scheme where eligible participants may be granted options entitling them to subscribe for the Shares. The purpose of the Share Option Scheme is to enable the Company to grant share options to eligible participants as incentives or rewards for their contribution to the Group.

Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years until 22 March 2027. Under the Share Option Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant, which includes any director, employee, officer, consultant, customer, supplier, agent, partner or advisor of or contractor to the Group, whom the Board may think fit.

The maximum entitlement of each eligible participant in any 12-month period under the Share Option Scheme shall be 1% of the Company's issued Share capital from time to time. Any offer under the Share Option Scheme must be accepted by the relevant eligible participant with a payment in favour of the Company of HK\$1 as consideration within 21 days. Any option under the Share Option Scheme, may be exercised at any time during the relevant option period.

The exercise price in respect of any option under the Share Option Scheme shall be not less than the higher of:

- (a) the closing price of the Shares on the date of the offer of the grant;
- (b) the average closing price of the Shares for the five business days immediately preceding the date of the offer of grant; and
- (c) the nominal value of such Shares.

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 33 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

Details of the movements of Share Options granted, exercised or cancelled/lapsed during the Reporting Period and outstanding as at 31 March 2020 are as follows:

Share Options Movement Summary

For the year ended	Grantee	Date of grant of Share options	Exercise price of Share Options	Closing Price		Exercise period (both dates inclusive)	As at 1 April 2019	Grant during the period	Exercise during the period	Lapsed during the period	Outstanding at 31 March 2020
				immediately before date of grant	HK\$						
31 March 2020	Employees	7 July 2017	0.65	0.67	7 July 2018 to 6 July 2023	4,142,000	-	-	(816,000)	3,326,000	
		7 July 2017	0.65	0.67	7 July 2019 to 6 July 2024	4,017,000	-	-	(612,000)	3,405,000	
		7 July 2017	0.65	0.67	7 July 2020 to 6 July 2025	4,017,000	-	-	(612,000)	3,405,000	
Total employees						12,176,000	-	-	(2,040,000)	10,136,000	

During the year ended 31 March 2020, no options were granted by the Company pursuant to the Share Option Schemes. No options were cancelled but options in respect of no Shares were exercised, whereas options in respect of 2,040,000 Shares were lapsed during the year ended 31 March 2020.

As a result of the options exercised during the year ended 31 March 2020, no Shares were issued by the Company.

As at the date of this report, the total number of Shares still available for issue under the Share Option Schemes shall be 10,136,000 Shares, representing approximately 1.0% 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 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.

DIRECTORS' REPORT (continued)

PURCHASE, SALE 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 2020 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 a sufficient prescribed public float of 25% the total number of issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 23 to 44 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCES

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 pages 45 to 52 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 2020 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 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 Listing Rules are provided in the Corporate Governance Report of this Annual Report.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties involved in the business operations of the Group may affect the Group's financial conditions or growth prospects. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders. Key risks and uncertainties faced by the Group are listed below:

- We rely on our vendors to grant us the authorisation for the distribution of IT Security Products, and the expiry of, failure to renew and/or interruption of any of them would have a material adverse effect on our operations and financial results;
- Quality of the IT Security Products provided by our vendors is not under our control. If the IT Security Products provided by our vendors are defective or fail to meet the required standards, our business and reputation may be adversely affected;
- Our income from the provision of IT Security Solutions is generally project-based and any decrease in the number of projects and/or demand of IT Security Solutions would affect our operations and financial results;
- We may encounter cost overruns or delays in the completion of our IT Security Solutions projects, which may materially and adversely affect our business, financial position and results of operation;
- We are exposed to credit risk from our customers and may be exposed to delays and/or defaults of progress payments by our customers which would adversely affect our cash flows and financial results;
- There may be uncertainties on obtaining necessary licences, approvals and permits for our operations;
- We are exposed to potential liabilities for damages or injuries caused by our negligent acts or omissions in providing our IT Security Solutions;
- Our historical financial conditions and results of operations may not be indicative of our future growth;
- Currency fluctuation may adversely affect our revenues and costs; and
- Issue of new Shares under the Share Option Scheme or issue of additional Shares will have a dilution effect.

DIRECTORS' REPORT (continued)

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2020 AGM will be held on Friday, 31 July 2020. The register of members of the Company will be closed from Monday, 27 July 2020 to Friday, 31 July 2020, both dates inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and to vote at the annual general meeting, all transfer documents 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 not later than 4:00 p.m. on Friday, 24 July 2020.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the annual general meeting. The record date for entitlement to the proposed final dividend is Tuesday, 11 August 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 7 August 2020 to Tuesday, 11 August 2020, 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, accompanied 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 Thursday, 6 August 2020.

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 2020. 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.

DIRECTORS' REPORT (continued)

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 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

APPOINTMENT OF DIRECTOR

Ms. Flavia Hung has been appointed as an independent non-executive director of the Company on 23 March 2020.

AUDITOR

The consolidated financial statements for the year ended 31 March 2020 have been prepared by Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company, who will retire at the conclusion of the 2020 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 2020 AGM.

EVENT AFTER REPORTING PERIOD

The directors are not aware any significant event which had material effect on the Group subsequent to 31 March 2020 and up to the date of this report.

By Order of the Board
Edvance International Holdings Limited
Liu Yui Ting Raymond
Chairman and Executive Director

Hong Kong, 22 June 2020

INDEPENDENT AUDITOR'S REPORT

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 75 to 159, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

During the year ended 31 March 2020, slow-moving inventories were identified by management based on ageing analysis 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 19 to the consolidated financial statements, the Group had inventories of approximately HK\$8,395,000 as at 31 March 2020. During the year, the Group recognised allowance for inventories of approximately HK\$2,690,000.

Our procedures in relation to the valuation of inventories included:

- Obtaining an understanding of the key controls of the Group in relation to identification of and obsolete and slow-moving inventories and preparation of ageing analysis of inventories for estimation of allowance for inventories;
- Challenging the management's basis and judgment in the assessment of net realisable value for inventories with reference to the recent selling prices, ageing analysis and subsequent sales of inventories;
- Testing the ageing analysis of the inventories, on a sample basis, to the source documents; and
- Testing the subsequent sales, on a sample basis, to source documents.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of Trade Receivables and Contract Assets

We identified impairment assessment of trade receivables and contract assets as a key audit matter due to the significance of trade receivables and contract assets 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 and contract assets at the end of the reporting period.

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) trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets individually; and (ii) remaining trade receivables and contract assets 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 at 31 March 2020, the Group's net trade receivables and contract assets amounting to approximately HK\$87,063,000 and HK\$4,782,000, respectively.

As disclosed in note 28 to the consolidated financial statements, the Group recognised net impairment losses on trade receivables and contract assets of approximately HK\$63,000 and HK\$30,000, respectively, for the year and the Group's allowance for ECL on trade receivables and contract assets as at 31 March 2020 amounted to approximately HK\$683,000 and HK\$30,000, respectively.

Our procedures in relation to the valuation of trade receivables and contract assets included:

- Obtaining an understanding of the key controls of the Group on how the management estimates the impairment loss for trade receivables and contract assets;
- Testing the accuracy of trade receivables ageing analysis as at 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; and
- Challenging management's basis and judgment in determining allowance for credit loss on trade receivables and contract assets as at 31 March 2020, including their identification of trade receivables and relevant contract assets which are assessed for ECL individually, the reasonableness of management's grouping of the remaining trade receivables and contract assets 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).

INDEPENDENT AUDITOR'S REPORT (continued)

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Mr. Chau Chi Ka.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	5	394,330	369,410
Cost of sales		(289,490)	(270,915)
Gross profit		104,840	98,495
Other income	7	1,073	762
Other gains and losses, net	8	(44)	(492)
Distribution and selling expenses		(24,807)	(26,242)
Administrative and other expenses		(48,492)	(38,772)
Net impairment losses on trade receivables and contract assets		(93)	(70)
Finance costs	9	(1,459)	(647)
Profit before taxation		31,018	33,034
Taxation	10	(7,674)	(6,860)
Profit for the year	11	23,344	26,174
Other comprehensive (expense) income for the year:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(596)	171
Total comprehensive income for the year		22,748	26,345
Earnings per share (HK cents)	14		
– basic		2.33	2.62
– diluted		2.33	2.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property and equipment	15	50,193	39,245
Deposits paid for acquisition of property and equipment		–	300
Prepayments and deposits	17	44,299	41,502
		94,492	81,047
Current assets			
Inventories	19	8,395	7,763
Trade and other receivables, prepayments and deposits	17	154,754	152,815
Tax recoverable		20	–
Contract assets	16	4,782	–
Bank balances and cash	20	73,559	73,725
		241,510	234,303
Current liabilities			
Trade and other payables and accruals	21	50,503	42,751
Lease liabilities	22	5,171	–
Contract liabilities	23	91,785	82,775
Bank borrowings	24	3,530	4,403
Tax liabilities		3,607	5,045
		154,596	134,974
Net current assets		86,914	99,329
Total assets less current liabilities		181,406	180,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Lease liabilities	22	6,762	–
Contract liabilities	23	42,171	38,395
Bank borrowings	24	19,559	22,135
		68,492	60,530
Net assets		112,914	119,846
Capital and reserves			
Share capital	25	10,014	10,014
Reserves		102,900	109,832
Total equity		112,914	119,846

The consolidated financial statements on pages 75 to 159 were approved and authorised for issue by the board of directors on 22 June 2020 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 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2018	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	-	-	-	-	-	(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
Profit for the year	-	-	-	-	-	23,344	23,344
Other comprehensive expense for the year	-	-	-	-	(596)	-	(596)
Total comprehensive (expense) income for the year	-	-	-	-	(596)	23,344	22,748
Transfer to accumulated profits upon forfeiture of share options	-	-	-	(273)	-	273	-
Dividends paid	-	-	-	-	-	(30,043)	(30,043)
Recognition of equity-settled share-based payments	-	-	-	363	-	-	363
At 31 March 2020	10,014	63,805	3,633	2,732	(391)	33,121	112,914

Note: Other reserves represent the aggregate amount of (i) the difference of approximately 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 approximately 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 approximately 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 approximately 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 2020

	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	31,018	33,034
Adjustments for:		
Finance costs	1,459	647
Net impairment losses on trade receivables and contract assets	93	70
Interest income	(817)	(667)
Depreciation	8,892	4,837
Share-based payments	363	1,138
Allowance for inventories	2,690	2,570
Loss (gain) on disposal of property and equipment	190	(30)
Operating cash flows before movements in working capital	43,888	41,599
Increase in inventories	(3,322)	(943)
Increase in trade and other receivables, prepayment and deposits	(4,865)	(35,315)
Increase in contract assets	(4,812)	–
Increase (decrease) in trade and other payables and accruals	7,871	(3,043)
Increase in contract liabilities	12,786	24,853
Decrease in provision	–	(1,826)
Net cash generated from operations	51,546	25,325
Income tax paid	(9,132)	(1,527)
NET CASH FROM OPERATING ACTIVITIES	42,414	23,798
INVESTING ACTIVITIES		
Bank interest received	254	146
Purchase of property and equipment	(3,318)	(8,027)
Proceed from disposal of property and equipment	–	30
Deposits paid for acquisition of property and equipment	–	(300)
NET CASH USED IN INVESTING ACTIVITIES	(3,064)	(8,151)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
FINANCING ACTIVITIES		
Dividends paid	(30,043)	(10,007)
Payments of lease liabilities	(4,679)	–
Repayment of bank borrowings	(3,183)	(5,543)
Interest paid	(1,459)	(647)
Proceeds from issue of shares	–	940
Bank borrowings raised	–	10,773
NET CASH USED IN FINANCING ACTIVITIES	(39,364)	(4,484)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14)	11,163
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	73,725	62,391
Effect of exchange rate changes	(152)	171
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	73,559	73,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

Edvance International Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate and immediate holding company is Success Vision International Group Limited, which is incorporated in the British Virgin Islands (“BVI”).

The Company completed transfer of listing of its shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited with effective from 24 December 2019.

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 35.

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

HKFRS 16 “Leases” (continued)

As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.3%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

HKFRS 16 “Leases” (continued)

As a lessee (continued)

	As at 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	16,945
Lease liabilities discounted at relevant incremental borrowing rates	15,545
Less: Recognition exemption – short-term leases	(284)
Lease liabilities as at 1 April 2019	15,261
Analysed as:	
Current	4,257
Non-current	11,004
	15,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

HKFRS 16 “Leases” (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the followings:

	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	15,261
Adjustments on rental deposits at 1 April 2019 (note)	222
	15,483
By Class:	
Leased properties	15,483

Note: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, the discounting effect of HK\$222,000 was adjusted to refundable rental deposits paid and right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

HKFRS 16 “Leases” (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS16 at 1 April 2019 HK\$'000
Non-current assets			
Property and equipment	39,245	15,483	54,728
Prepayments and deposits	41,502	(222)	41,280
Current liabilities			
Lease liabilities	–	4,257	4,257
Non-current liabilities			
Lease liabilities	–	11,004	11,004

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

1 Effective for annual periods beginning on or after 1 January 2021

2 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

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Except those mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group’s financial position and performance in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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)

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards (continued)

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group’s annual period beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), 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 use 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Revenue from contracts with customers

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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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 "Financial Instruments" ("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.

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

Input method

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.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Principal versus agent (continued)

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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.

Property and equipment

Property and equipment are tangible assets that are 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 assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising the purchase option, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property and equipment.

The Group presents right-of-use assets in “property and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and the exercise price of purchase option if the Group is reasonably certain to exercise the option.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (prior to 1 April 2019)

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.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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.

Impairment on assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets other than financial assets with finite useful lives to determine whether there is any indication that these 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on assets other than financial assets (continued)

The recoverable amount of tangible assets other than financial assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or group of cash-generating units) 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 or group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

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 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax are 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.

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 recognised at the rates of exchange prevailing on the dates of 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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 the 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

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 market place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 “Revenue from Contracts with Customers”. 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. 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

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 selling and collecting contractual cash flows; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application of HKFRS 9/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.

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 and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables and deposits and bank balances and cash) and contract assets which are subject to impairment under HKFRS 9. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. Trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets have been assessed individually, and the remaining trade receivables and contract assets balances are assessed collectively using a provision matrix grouped with shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables and the contract assets on the same basis.

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, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Significant increase in credit risk (continued)

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;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

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.

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;
- Past-due status;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Measurement and recognition of ECL (continued)

- 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 and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial asset

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 next financial year.

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.

Allowance for inventories

Slow-moving inventories were identified by management based on aging analysis 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 approximately HK\$2,690,000 (2019: HK\$2,570,000) was recognised for the year ended 31 March 2020. The carrying amounts of inventories are approximately HK\$8,395,000 (2019: HK\$7,763,000), net of allowance for inventories of approximately HK\$2,690,000 (2019: HK\$2,570,000) as at 31 March 2020.

Estimated impairment of trade receivables and contract assets

The management of the Group measures lifetime ECL on (i) trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets are assessed individually; and (ii) remaining trade receivables and contract assets are 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 and contract assets 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 for the Group's trade receivables and contract assets are disclosed in note 28. The carrying amount of trade receivables and contract assets are approximately HK\$87,063,000 (2019: HK\$92,590,000) and HK\$4,782,000 (2019: Nil), respectively as at 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 discounts and sales related taxes for the year.

Revenue from goods and services

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

	2020 HK\$'000	2019 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	225,268	227,248
IT security services business*		
– provision of technical implementation services	30,887	25,882
– provision of maintenance and support services	138,175	116,280
	169,062	142,162
	394,330	369,410

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

	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition:		
Over time	169,062	142,162
A point in time	225,268	227,248
	394,330	369,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

5. REVENUE (continued)

Revenue from goods and services (continued)

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 Group requires certain customers to provide upfront deposits range from 20% to 50% of total contract sum, when the Group receives a deposit before the delivery of products, this will give rise to contract liabilities at the start of a contract, until the products are delivered to the customers. The normal credit term is 30 to 60 days upon delivery, which is approximate the time of issuing the invoices to the customers.

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. The normal payment 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.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the technical implementation services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on user acceptance by customers. The contract assets are transferred to trade receivables when the rights become unconditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

5. REVENUE (continued)

Revenue from goods and services (continued)

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 payment 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.

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 2020 and 2019 and the expected timing of recognising revenue are as follows:

	Maintenance and support services	
	2020	2019
	HK\$'000	HK\$'000
Within one year	87,223	82,775
More than one year but not more than two years	26,500	24,289
More than two years	15,671	14,106
	129,394	121,170

All the Group's other contracts with customers for procurement of network security products, system security products and application and data security products and provision of technical implementation services with unsatisfied performance obligations have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or satisfied) of these contracts as at 31 March 2020 and 2019 is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

6. SEGMENT INFORMATION

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments are therefore 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 2020			
Segment revenue	225,268	169,062	394,330
Segment results	56,447	48,393	104,840
Other income			1,073
Other gains and losses, net			(44)
Distribution and selling expenses			(24,807)
Administrative and other expenses			(48,492)
Net impairment losses on trade receivables and contract assets			(93)
Finance costs			(1,459)
Profit before taxation			31,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 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

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, distribution and selling expenses, administrative and other expenses, net impairment losses on trade receivables and contract assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong, Macau and the People's Republic of China ("PRC") (excluding Hong Kong and Macau) and Republic of Singapore ("Singapore"). Information about the Group's revenue is analysed by location of the shipments of goods or the services provided.

	2020 HK\$'000	2019 HK\$'000
Hong Kong	335,589	294,810
Macau	27,120	18,045
Mongolian People's Republic ("Mongolia")(note)	8,389	6,332
The PRC (excluding Hong Kong and Macau)	17,671	27,656
Singapore	5,561	22,567
	394,330	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.

Information about the Group's non-current assets (excluding rental deposits (Upon application of HKFRS 16) and deposits for life insurance contracts) which is presented based on geographical location of the assets, is as follows:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	42,686	31,565
The PRC (excluding Hong Kong and Macau)	1,531	781
Macau	2,707	1,208
Singapore	32,344	34,657
	79,268	68,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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:

	2020 HK\$'000	2019 HK\$'000
Customer A ¹	61,145	46,184
Customer B ¹	44,770	57,025

1 Revenue derived from IT security products business and IT security services business.

7. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	254	146
Interest income from deposits for life insurance contracts	499	521
Interest income from rental deposits	64	–
Others	256	95
	1,073	762

8. OTHER GAINS AND LOSSES, NET

	2020 HK\$'000	2019 HK\$'000
Net foreign exchange gain (loss)	146	(522)
(Loss) gain on disposal of property and equipment	(190)	30
	(44)	(492)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	728	647
Interest on lease liabilities	731	–
	1,459	647

10. TAXATION

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	7,319	6,064
PRC Enterprise Income Tax ("EIT")	11	369
Macau Complementary Tax	491	328
	7,821	6,761
(Over) underprovision in respect of prior year:		
Hong Kong Profits Tax	(147)	6
Deferred tax charged (note 18)	–	93
	7,674	6,860

For the year ended 31 March 2020 and 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one subsidiary 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

10. TAXATION (continued)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% 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 both years.

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:

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	31,018	33,034
Taxation at Hong Kong Profits Tax rate of 16.5%	5,118	5,451
Tax effect of income not taxable for tax purposes	(52)	(92)
Tax effect of expenses not deductible for tax purposes	1,548	275
Effect of different tax rates of subsidiaries operating in other jurisdictions	(180)	(63)
Tax effect of tax losses not recognised	1,385	1,185
(Over) underprovision in prior year	(147)	6
Tax effect of two-tiered tax rate	(165)	(165)
Others	167	263
Taxation for the year	7,674	6,860

At 31 March 2020, the Group had estimated unused tax losses of approximately HK\$19,831,000 (2019: HK\$11,437,000) to offset against future profits which can be carried forward indefinitely. No deferred tax asset has been recognised for the estimated tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

11. PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration (note 12)	9,708	9,254
Other staff costs	46,613	42,778
Share-based payments	363	1,138
Contributions to retirement benefits schemes	2,730	2,643
	59,414	55,813
Auditor's remuneration	1,350	1,200
Cost of inventories recognised as an expense (including the allowance for inventories of approximately HK\$2,690,000 (2019: HK\$2,570,000))	168,821	173,690
Depreciation of right-of-use assets	5,075	–
Depreciation of other property and equipment	3,817	4,837
Depreciation of property and equipment	8,892	4,837
Minimum lease payments under operating lease in respect of office premises	N/A	5,835
Transfer of listing and related expenses (included in administrative and other expenses)	7,923	–
Net impairment losses on trade receivables	63	70
Net impairment losses on contract assets	30	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 benefit schemes contributions HK\$'000	Total HK\$'000
For the year ended 31 March 2020					
Executive directors					
Mr. Liu Yui Ting Raymond ("Mr. Raymond Liu")	-	2,040	680	78	2,798
Mr. Lee Sung Kei Francis	-	1,476	492	78	2,046
Mr. Lam Tak Ling	-	1,452	484	54	1,990
Mr. Von John	-	1,284	428	18	1,730
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
Mrs. Wong Hung Yuen Yee Flavia (note (ii))	4	-	-	-	4
	1,144	6,252	2,084	228	9,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Directors' fee	Salaries, allowance and other benefits	Performance related bonus	Retirement benefit schemes contributions	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(note (i))			
Executive directors					
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

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) Mrs. Wong Hung Yuen Yee Flavia was appointed as an independent non-executive director of the Company on 23 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 emoluments were 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 (2019: four) directors of the Company for the year ended 31 March 2020, whose emoluments are included in the disclosures above. The emoluments of the remaining one (2019: one) individual for the year ended 31 March 2020, are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	1,320	1,248
Performance related bonuses	440	416
Contributions to retirement benefits schemes	18	18
	1,778	1,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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:

	2020 No. of employees	2019 No. of employees
HK\$1,500,001 to HK\$2,000,000	3	4
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	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\$0.01 per share of the Company in respect of the year ended 31 March 2020 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\$0.03 per share of the Company in respect of the year ended 31 March 2019 has been declared and paid by the Company during the year ended 31 March 2020.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

14. EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	23,344	26,174

	2020 Number of shares '000	2019 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,001,446	1,000,877
Add: Effect of dilutive potential ordinary shares under share option scheme	–	3,331
Weight average number of ordinary shares for the purpose of calculating diluted earnings per share	1,001,446	1,004,208

For the year ended 31 March 2020, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

15. PROPERTY AND EQUIPMENT

	Owned properties HK\$'000	Leased properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 April 2018	–	–	7,532	3,513	2,531	13,576
Additions	31,379	–	3,283	2,109	–	36,771
Disposal	–	–	–	–	(818)	(818)
At 31 March 2019	31,379	–	10,815	5,622	1,713	49,529
Adjustments upon application of HKFRS 16	–	15,483	–	–	–	15,483
At 1 April 2019 (restated)	31,379	15,483	10,815	5,622	1,713	65,012
Exchange adjustments	(383)	(53)	(40)	(35)	–	(511)
Additions	–	1,157	–	1,888	2,289	5,334
Disposals	–	–	–	(616)	–	(616)
Reassessment of lease terms	–	(311)	–	–	–	(311)
At 31 March 2020	30,996	16,276	10,775	6,859	4,002	68,908
ACCUMULATED DEPRECIATION						
At 1 April 2018	–	–	2,952	1,272	2,041	6,265
Provided for the year	471	–	2,885	1,165	316	4,837
Eliminated on disposal	–	–	–	–	(818)	(818)
At 31 March 2019	471	–	5,837	2,437	1,539	10,284
Exchange adjustments	(10)	(4)	(9)	(12)	–	(35)
Provided for the year	624	5,019	1,274	1,671	304	8,892
Eliminated on disposals	–	–	–	(426)	–	(426)
At 31 March 2020	1,085	5,015	7,102	3,670	1,843	18,715
CARRYING VALUES						
At 31 March 2020	29,911	11,261	3,673	3,189	2,159	50,193
At 31 March 2019	30,908	–	4,978	3,185	174	39,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

15. PROPERTY AND EQUIPMENT (continued)

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leased properties	Over the lease terms
Owned properties	2%
Leasehold improvements	Over the lease terms
Furniture, fixtures and office and computer equipment	20% – 33%
Motor vehicles	33% or over the lease terms

The Group as lessee

Right-of-use assets (included in the property and equipment)

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2019			
Carrying amount	15,483	–	15,483
At 31 March 2020			
Carrying amount	11,261	503	11,764
For the year ended 31 March 2020			
Depreciation charge	5,019	56	5,075
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			256
Expense relating to leases of low-value assets excluding short-term leases of low value assets			3
Total cash outflow for leases			5,669
Additions to right-of-use assets			1,716

For both years, the Group leases various offices and motor vehicle for its operations. Lease contracts are entered into for fixed term of one to three years, but may have termination options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

15. PROPERTY AND EQUIPMENT (continued)

The Group as lessee (continued)

Right-of-use assets (included in the property and equipment) (continued)

In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2020, there is no such triggering event.

16. CONTRACT ASSETS

	2020 HK\$'000	2019 HK\$'000
Contract assets from technical implementation services contracts	4,812	–
Less: allowance for credit losses	(30)	–
	4,782	–

There is no contract assets as at 1 April 2018.

The contract assets primarily relate to the Group's right to consideration for the services performed and not billed because the rights are conditioned on user acceptance by customers. The contract assets are transferred to trade receivables when the rights become unconditional. The normal credit term is 30 to 60 days upon the issuance of invoices to the customers.

The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle which is within 12 months after the end of the reporting period.

Details of the impairment assessment of contract assets are set out in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Current		
Trade receivables	87,746	93,210
Less: allowance for credit losses	(683)	(620)
	87,063	92,590
Prepayment to suppliers for maintenance and support services (note (ii))	65,851	55,869
Other tax receivables	18	1,054
Prepayment and others	1,822	3,302
	154,754	152,815
Non-current		
Rental deposits	2,047	1,466
Deposits for life insurance contracts (note (i))	13,177	12,836
Prepayment of life insurance charged (note (i))	454	496
Prepayment to suppliers for maintenance and support services (note (ii))	28,621	26,704
	44,299	41,502
Total trade and other receivables, prepayments and deposits	199,053	194,317

Notes:

- (i) In prior years, 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 1st to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Notes: (continued)

(i) (continued)

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 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 policy premium, expense and insurance charges are recognised in profit or loss over the expected life of respective policy.

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.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 1 April 2018, trade receivables from contracts with customers amounted to approximately HK\$78,527,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

17. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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

	2020 HK\$'000	2019 HK\$'000
0 to 30 days	45,979	56,762
31 to 60 days	20,628	14,777
61 to 90 days	9,987	10,429
91 to 120 days	4,905	3,554
121 to 365 days	5,564	7,068
	87,063	92,590

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$33,432,000 (2019:HK\$30,241,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$3,779,000 (2019: 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.

Details of impairment assessment of trade and other receivables and deposits are set out in note 28.

18. 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 2018	93
Charged to profit or loss	(93)
At 31 March 2019 and 2020	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

19. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Finished goods	8,395	7,763

20. 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.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2020 HK\$'000	2019 HK\$'000
Trade payables	41,856	32,934
Accrued expense	2,761	3,408
Accrued staff costs	5,555	6,031
Others	331	378
	50,503	42,751

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

	2020 HK\$'000	2019 HK\$'000
0 to 30 days	35,408	25,345
31 to 60 days	1,054	2,378
61 to 90 days	–	217
91 to 120 days	392	–
121 to 365 days	19	11
Over 365 days	4,983	4,983
	41,856	32,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

22. LEASE LIABILITIES

	2020 HK\$'000
Lease liabilities payable:	
Within one year	5,171
Within a period of more than one year but not more than two years	5,069
Within a period of more than two years but not more than five years	1,693
	11,933
Less: Amount due for settlement within 12 months shown under current liabilities	(5,171)
Amount due for settlement after 12 months shown under non-current liabilities	6,762

23. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Contract liabilities from:		
Provision of maintenance and support services	129,394	121,170
Provision of technical implementation services	2,935	–
Procurement of network security products, system security products and application and data security products	1,627	–
	133,956	121,170

Analysed for reporting purposes as:

	2020 HK\$'000	2019 HK\$'000
Current liabilities	91,785	82,775
Non-current liabilities	42,171	38,395
	133,956	121,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

23. CONTRACT LIABILITIES (continued)

As at 1 April 2018, contract liabilities amounted to approximately HK\$96,317,000.

The contract liabilities from provision of maintenance and support services 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. The Group classifies other contract liabilities as current liabilities because the Group expects to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

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.

For technical implementation services contract, 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. The typical payment term is 30 to 60 days upon the issuance of invoices to the customers.

For contract of procurement of network security products, system security products and application and data security products, the Group requires certain customers to provide upfront deposits range from 20% to 50% of total contract sum. When the Group receives a deposit before the delivery of products, this will give rise to contract liabilities at the start of a contract, until the products are delivered to the customers.

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

	Income from provision of maintenance and support services HK\$'000
<hr/>	
For the year ended 31 March 2020	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	82,775
<hr/>	
For the year ended 31 March 2019	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	65,121
<hr/>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

24. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured and guaranteed bank borrowings	23,089	26,538
The carrying amounts of the above bank borrowings are repayable*:		
Within one year	2,255	2,224
More than one year but not more than two years	2,306	2,306
More than two years but not more than five years	3,638	4,886
More than five years	14,890	17,122
	23,089	26,538
Less: Amounts due within one year or contains a repayment on demand clause shown under current liabilities	(3,530)	(4,403)
Amounts shown under non-current liabilities	19,559	22,135

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 March 2020, bank borrowing of approximately HK\$20,715,000 (2019: HK\$23,112,000) is a Singapore Dollar ("SG\$") denominated mortgage loan for the owned properties as disclosed in note 15, carries variable interest rate of prevailing 3 – month SG\$ Singapore Interbank Offered Rate ("SIBOR") plus 3% (2019: prevailing Enterprise Finance Rate ("EFR") minus a spread) per annum. The effective interest rate on the bank borrowing was 3.5% (2019: 5.8%) per annum as at 31 March 2020. This bank borrowing is secured by the owned properties as set out in note 34 and the corporate guarantees provided by the Group.

The remaining bank borrowings of approximately HK\$2,374,000 (2019: HK\$3,426,000) are at floating rate which carry interest at HK\$/US\$ Best Lending Rate ("BLR") minus a spread, with effective interest rate of 5.5% (2019: 6.5%) per annum as at 31 March 2020. These bank borrowings are repayable on demand and hence classified as current liabilities at each end of the reporting period. Such bank borrowings are denominated in US\$ and secured by the life insurance contracts as at 31 March 2020 and 2019 as set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

25. 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 2018, 31 March 2019 and 31 March 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2018	1,000,000,000	10,000
Issue of shares upon exercise of share options (Note)	1,446,000	14
At 31 March 2019 and 2020	1,001,446,000	10,014

Note: 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.

26. 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 10% to 23% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

26. RETIREMENT BENEFITS SCHEMES (continued)

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 2020 and 2019, 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\$2,958,000 (2019: HK\$2,869,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

27. 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.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Amortised cost	162,985	166,410
Financial liabilities		
Amortised cost	73,592	69,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, 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 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 liabilities of the Group are denominated in foreign currencies. The carrying amounts of such monetary assets and 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 2020			
Trade receivables	–	9,858	–
Bank balances and cash	5,463	14,642	4,131
Trade and other payables	–	39,813	–
Bank borrowings	–	2,374	20,715

	Denominated in 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

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% (2019: 5%) increase and decrease in other foreign currencies against HK\$ 5% (2019: 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 SG\$ and RMB denominated monetary items and adjusts their translation at the year end for a 5% (2019: 5%) change in foreign currency rates. A positive number below indicates an increase in profit-tax profit for the year where other foreign currencies strengthen 5% (2019: 5%) against HK\$. For a 5% (2019: 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.

	2020 HK\$'000	2019 HK\$'000
(Decrease) increase in post-tax profit for the year:		
– SG\$	(692)	(589)
– RMB	228	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 22 for details).

The Group is also exposed to cash flow interest rate risk in relation to the Group's variable-rate bank balances and variable-rate bank borrowings (notes 20 and 24, respectively). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank's HK\$/US\$ BLR, EFR and SIBOR.

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management 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:

	2020 HK\$'000	2019 HK\$'000
Other income	318	146

Interest expense on financial liabilities not measured at fair value through profit or loss is as follows:

	2020 HK\$'000	2019 HK\$'000
Financial liabilities at amortised cost	728	647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

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 (2019: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

A negative number below indicates a decrease in post-tax profit for the year where the interest rate had been 50 basis points (2019: 50 basis points) higher and all other variable were held constant. For 50 basis points (2019: 50 basis points) lower on interest rate, there would be an equal and opposite impact on the result for the year.

	2020 HK\$'000	2019 HK\$'000
Decrease in post-tax profit for the year	(96)	(111)

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 2020 and 2019. Accordingly, no sensitivity analysis on interest rate risk is presented.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and deposits, contract assets and bank balances and cash as at 31 March 2020 and 2019.

As at 31 March 2020 and 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables and contract assets 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 trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets which are assessed for impairment individually, the remaining trade receivables and contract assets 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 to current past due exposure. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. 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.

As at 31 March 2020, the Group had concentration of credit risk as 23% (2019: 15%) 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 60% (2019: 49%) of the total trade receivables as at 31 March 2020.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. The Group assessed the ECL for other receivables were immaterial. Thus no loss allowance was recognised.

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 on balances individually based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. The Group assessed the ECL for bank balances and cash were immaterial. Thus no loss allowance was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	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 has past-due balance overdue less than 90 days as at year end unless there has been significant increases in credit risk since initial recognition	Lifetime ECL – not credit-impaired	12-month ECL
High risk	Debtor has past-due balance overdue more than 90 days as at year end unless there has been significant increases in credit risk since initial recognition	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. 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 and other receivables and deposits and bank balances and cash) and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts	
					2020 HK\$'000	2019 HK\$'000
Financial assets at amortised cost						
Trade receivables						
– goods and services	17	N/A	(note 1)	Lifetime ECL (provision matrix)	10,975	18,089
			Low risk	Lifetime ECL	69,264	75,121
			Medium risk	Lifetime ECL	7,507	–
Other receivables and deposits	17	N/A	(note 2)	12-month ECL	2,363	95
Bank balances and cash	20	Aa3 to Baa3	N/A	12-month ECL	73,559	73,725
Other items						
Contract assets	16	N/A	(note 1)	Lifetime ECL (provision matrix)	1,541	–
			Low risk	Lifetime ECL	2,945	–
			Medium risk	Lifetime ECL	326	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

- For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Apart from trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets, the Group determines the ECL on these items using a provision matrix grouped with reference to current past due exposure.

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. Trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets with gross carrying amounts of HK\$76,771,000 (2019: HK\$75,121,000) and HK\$3,271,000 (2019: nil) respectively as at 31 March 2020 were assessed individually. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 March 2020 within lifetime ECL (not credit-impaired).

Gross carrying amount

Internal credit rating	2020			2019		
	Average loss rate %	Trade receivables HK\$'000	Contract assets HK\$'000	Average loss rate %	Trade receivables HK\$'000	Contract assets HK\$'000
Low risk	0.5	6,511	1,233	0.3	3,844	–
Medium risk	2.4	2,490	291	1.5	9,306	–
High risk	6.4	1,974	17	4.0	4,939	–
		10,975	1,541		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, 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 management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2020, the Group provided net reversal of impairment allowance of approximately HK\$215,000 (2019: net impairment allowance of approximately HK\$28,000) and net impairment allowance of approximately HK\$9,000 (2019: Nil) for trade receivables and contract assets, respectively, based on the provision matrix. Net impairment allowance of approximately HK\$278,000 (2019: HK\$42,000) and HK\$21,000 (2019: Nil) assessed individually were provided for trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets, respectively, during the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. 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
2020:			
Financial assets at amortised cost			
Other receivables and deposits	–	2,363	2,363
2019:			
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 and contract assets under the simplified approach.

	Trade receivables under lifetime ECL (not credit impaired) HK\$'000	Contract assets under lifetime ECL (not credit impaired) HK\$'000	Total HK\$'000
As at 1 April 2018	550	–	550
Changes due to financial instruments recognised as at 1 April 2018:			
– Impairment loss reversed	(550)	–	(550)
New financial assets originated	620	–	620
As at 31 March 2019	620	–	620
Changes due to financial instruments recognised as at 1 April 2019:			
– Impairment loss reversed	(620)	–	(620)
New financial assets originated	683	30	713
As at 31 March 2020	683	30	713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. 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.

Liquidity tables

	Weighted average effective interest rate %	On demand	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2020									
Trade and other payables and accruals	N/A	-	50,503	-	-	-	-	50,503	50,503
Bank borrowings	3.7%	2,374	399	1,189	1,620	5,457	18,757	29,796	23,089
Lease liabilities	5.3%	-	1,423	4,245	5,297	1,713	-	12,678	11,933
		2,374	52,325	5,434	6,917	7,170	18,757	92,977	85,525

	Weighted average effective interest rate %	On demand	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2019									
Trade and other payables and accruals	N/A	-	42,751	-	-	-	-	42,751	42,751
Bank borrowings	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

28. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

As at 31 March 2020 and 2019, 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 2020, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$2,374,000 (2019: HK\$3,426,000). 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 each reporting period in accordance with the scheduled repayment dates as set out in the loan agreement.

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	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Total carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	per annum						
Bank borrowings:							
As at 31 March 2020	5.5%	297	890	1,186	170	2,543	2,374
As at 31 March 2019	6.5%	298	893	1,191	1,396	3,778	3,426

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

29. OPERATING LEASES

The Group as lessee

At 31 March 2019, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2019 HK\$'000
Within one year	5,238
After one year but within five years	11,707
	16,945

Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years.

The minimum lease payments paid under operating leases was approximately HK\$5,835,000 during the year ended 31 March 2019.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions:

	2020 HK\$'000	2019 HK\$'000
Consultancy marketing expenses to Wepro180 (Hong Kong) Limited ("Wepro180") (note)	1,400	1,375
Services fees expenses to Columns Asia Limited ("Columns Asia") (note)	-	168

Note: Mr. Raymond Liu is the controlling shareholder of Wepro180 and Columns Asia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

30. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of the directors and other members of key management during both years were as follows:

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	12,292	9,944
Post-employment benefits	328	299
	12,620	10,243

31. CAPITAL COMMITMENT

At 31 March 2020, the Group has no capital commitments contracted but not provided in the consolidated financial statements.

At 31 March 2019, the Group has capital commitments of HK\$300,000 in respect of the property and equipment contracted but not provided in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

32. 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.

	Bank borrowings	Lease liabilities	Dividends payable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 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
Adjustments upon application of HKFRS 16	–	15,261	–	15,261
At 1 April 2019 (restated)	26,538	15,261	–	41,799
Financing cash flows (note)	(3,911)	(5,410)	(30,043)	(39,364)
New leases entered/reassessment of lease terms	–	1,405	–	1,405
Dividends declared	–	–	30,043	30,043
Finance costs recognised	728	731	–	1,459
Exchange adjustments	(266)	(54)	–	(320)
At 31 March 2020	23,089	11,933	–	35,022

Note: The financing cash flows represented the finance costs, repayments to bank borrowings and lease liabilities and dividend paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

33. 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 or 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

33. 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 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 10,136,000 (2019: 12,176,000) representing 1.0% (2019: 1.2%) 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 years ended 31 March 2020 and 2019:

Grantees	Date of grant	Exercise price (note (i)) HK\$	Exercisable period (note (ii))	As at 1 April 2018	Exercised during the year (note (iii))	Forfeited during the year (note (iv))	As at 31 March 2019	Forfeited during the year (note (iv))	As at 31 March 2020	Exercisable at 31 March 2020	Exercisable at 31 March 2019
Employees of the Group	7 July 2017	0.65	7 July 2018 to 6 July 2025	15,210,000	(1,446,000)	(1,588,000)	12,176,000	(2,040,000)	10,136,000	6,791,000	4,874,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

33. 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 25. 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

33. 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 2020, the Group recognised the total expense of HK\$363,000 (2019: HK\$1,138,000) in relation to share options granted by the Company with a corresponding adjustment recognised in the Group's share option reserve.

34. PLEDGE OF OR RESTRICTIONS ON ASSETS

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:

	2020 HK\$'000	2019 HK\$'000
Owned properties	29,911	30,908
Deposits for life insurance contracts	13,177	12,836
	43,088	43,744

Restrictions on assets

In addition, lease liabilities of approximately HK\$11,933,000 are recognised with related right-of-use assets of approximately HK\$11,764,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Particulars of issued and paid up capital	Proportion of ownership interest attributable to the Group as at 31 March		Principal activities
			2020	2019	
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 (HK)	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	RMB 2,000,000	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) Pte 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%	100%	Provision of IT Security services
Green Radar Technology Research Centre Limited (note(ii))	Hong Kong	HK\$1	100%	100%	Provision of IT Security services
Edvance Information Technology Development Company Limited (notes(i) and (ii)) 安領信息科技發展(深圳)有限公司	The PRC	RMB5,000,000	100%	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

35. PARTICULARS OF SUBSIDIARIES (continued)

Except for Best Gear, which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

Except for the operations those subsidiaries incorporated in BVI are carried out principally in Hong Kong, all other subsidiaries operations are carried out in the place of incorporation.

None of the subsidiaries had issued any debt securities at the end of the year and during the year.

36. 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:

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investments in subsidiaries	1	1
Amounts due from subsidiaries	45,111	48,173
	45,112	48,174
Current assets		
Amount due from a subsidiary	55,000	33,400
Other receivables	156	139
Bank balances and cash	4,640	4,127
	59,796	37,666
Current liabilities		
Other payables	1,569	1,726
Amount due to a subsidiary	10,248	7,450
	11,817	9,176
Net current assets	47,979	28,490
Total assets less current liabilities	93,091	76,664
Capital and reserves		
Share capital (note 25)	10,014	10,014
Reserves	83,077	66,650
Total equity	93,091	76,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Reserves of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 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	–	–	(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
Profit and total comprehensive income for the year	–	–	46,107	46,107
Transfer to accumulated profits upon forfeiture of share options	–	(273)	273	–
Dividends paid	–	–	(30,043)	(30,043)
Recognition of equity settled share-based payments	–	363	–	363
At 31 March 2020	63,805	2,732	16,540	83,077

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in the FY2020 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
“hardware”	the collection of physical components that constitute a computer system “IT” information technology
“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 technical implementation services, maintenance and support 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
“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