edvance

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

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

Annual Report 2021/22

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Lo Wai Ho Ashley
Dr. Tang Sing Hing Kenny
(Resigned on 31 May 2021)

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

Mr. Liu Yui Ting Raymond *(Chairman)*
Mr. Lee Francis Sung Kei
(Appointed on 11 May 2021)
Mr. Ng Tsz Fung Jimmy
Dr. Tang Sing Hing Kenny
(Resigned on 11 May 2021)

COMPLIANCE OFFICER

Mr. Von John

COMPANY SECRETARY

Mr. Yuen Chun Fai *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Von John
Mr. Yuen Chun Fai *(HKICPA)*

AUDITORS

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

CORPORATE INFORMATION (continued)

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

20th Floor
8 Wyndham Street
Central
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

STOCK CODE

1410

COMPANY'S WEBSITE

www.edvanceintl.com

FINANCIAL SUMMARY OF THE PAST FIVE YEARS

A summary of the published results, assets and liabilities of Edvance International Holdings Limited ("Company"), together with its subsidiaries ("Group") for the past five financial years are set out as follows:

	For the year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**525,383**	410,505	394,330	369,410	302,323
Gross profit	**128,407**	124,013	104,840	98,495	84,756
Profit before taxation	**24,136**	43,182	31,018	33,034	23,047
Profit (loss) for the year attributable to					
– owners of the Company	**22,789**	34,739	23,344	26,174	18,182
– non-controlling interests	**(1,727)**	(482)	–	–	–
Profit for the year	**21,062**	34,257	23,344	26,174	18,182
Excluding non-recurring listing and transfer of listing related expenses	**–**	–	7,923	–	1,423
Normalised profit for the year attributable to owners of the Company	**22,789**	34,739	31,267	26,174	19,605

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**261,297**	144,672	94,492	81,047	72,551
Current assets	**279,046**	240,199	241,510	234,303	197,384
Non-current liabilities	**(125,077)**	(78,570)	(68,492)	(60,530)	(43,919)
Current liabilities	**(250,655)**	(162,125)	(154,596)	(134,974)	(124,036)
Net current assets	**28,391**	78,074	86,914	99,329	73,348
Net assets	**164,611**	144,176	112,914	119,846	101,980

FINANCIAL SUMMARY OF THE PAST FIVE YEARS
(continued)

	For the year ended 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
CASH FLOWS					
Net cash from operating activities	**19,951**	34,924	42,414	23,798	11,402
Net cash used in investing activities	**(60,961)**	(16,819)	(3,064)	(8,151)	(33,887)
Net cash from (used in) from financing activities	**17,097**	(18,278)	(39,364)	(4,484)	66,159
Net (decrease) increase in cash and cash equivalents	**(23,913)**	(173)	(14)	11,163	43,674
Cash and cash equivalents at beginning of the year	**73,383**	73,559	73,725	62,391	18,499
Effect of exchange rate changes	**(344)**	(3)	(152)	171	218
Cash and cash equivalents at end of the year	**49,126**	73,383	73,559	73,725	62,391

	For the year ended 31 March				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
FINANCIAL RATIOS					
Net profit margin[1*]	**4.3%**	8.5%	7.9%	7.1%	6.5%
Return on equity[2*]	**14.2%**	24.8%	27.7%	21.8%	19.2%
Return on total assets[3*]	**4.2%**	9.0%	9.3%	8.3%	7.3%
Current ratio[4]	**1.1**	1.5	1.6	1.7	1.6
Quick ratio[5]	**1.1**	1.5	1.5	1.7	1.5
Gearing ratio[6]	**43.4%**	28.1%	31.0%	22.1%	20.9%
Debt to equity ratio[7]	**13.6%**	Net Cash	Net Cash	Net Cash	Net Cash
Interest coverage[8*]	**13.3**	33.1	22.3	52.1	46.5
Average inventory turnover days	**8.6**	8.4	10.2	12	12
Average trade receivables turnover days	**58**	69	83	85	84
Average trade payables turnover days	**38**	45	47	45	52

FINANCIAL SUMMARY OF THE PAST FIVE YEARS
(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 bank borrowings 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 bank borrowings 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 ("Board") of our Company, I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2022 ("FY2022").

As I look back on the past financial year, and ahead to the digital future, I see us in the midst of an exciting transformation of our Company and the industries that we operate in. Although the past year has undeniably been challenging under the COVID-19 pandemic and increasingly uncertain economic outlook ahead, our colleagues continued to serve our customers with excellence and our businesses remain more relevant than ever. We saw our customers demanding a more comprehensive approach to cybersecurity in response to increasingly stringent data protection and compliance requirements and an unabated level of cyber threats targeting their critical business operations. On the other hand, financial services at large are clearly undergoing the adoption of disruptive innovations, including blockchain technologies, at an unprecedented pace that rival the early years of the Internet. With this, new investment opportunities are being created at the same time. I remain confident that our company is well positioned to capture the opportunities ahead in an increasingly digital-driven future.

In the past financial year, we saw stable revenue growth from our core cybersecurity business of approximately 28% as compared to the year ended 31 March 2021 ("FY2021"). A number of significant government projects won by our dedicated team also demonstrated the Group's capability in the cybersecurity market.

For our core cybersecurity business, I have witnessed the transition of cybersecurity from being a topic of interest only for the IT manager to a top-of-mind concern for business decision makers. This was in no doubt contributed by the increased level of cyber threats affecting all businesses, and customers' expectation for companies to protect their data securely. The heightened level of cyber threat was evidenced by the Green Radar Email Threat Index (GRETI), published by one of our subsidiaries Green Radar (Hong Kong) Limited, which measures the level of email threats, such as phishing, malware and BEC (Business Email Compromise) to businesses over the past year.

We see this as a great opportunity to help our customers adopt cybersecurity solutions more easily and cost effectively. We are setting forth plans to launch additional security-as-a-service offerings to capture the market demand. This approach would enable the Group to scale our services to serve a broader customer base and to derive a sustainable revenue model. It would also make it easier for our customers to adopt cybersecurity solutions without making heavy upfront capital investments into hardware, software and personnel. To this end, we plan to ramp up our research and development spend and efforts in the next financial year to strengthen our offerings toward a service subscription business model.

On the financial services and investment front, Axion Global Asset Management Limited ("AGAM") marked a significant milestone during the year by receiving the grant of approval from the Securities and Futures Commission of Hong Kong ("SFC") to manage investment portfolios that invest up to 100% in virtual assets. We believe that being a regulated asset manager offers potential investors the trust and confidence to invest in the fast-growing cryptocurrency and digital asset market. We will continue to develop innovative products to enable qualified investors to access this market.

CHAIRMAN'S STATEMENT (continued)

Our investments also received fair value gain for the reporting year, which was attributed mainly by our investment in the holding company of Hong Kong Digital Asset Ex Limited ("HKbitEX"). We see this as a market validation of the long term opportunities in the digital asset space and the Group remains committed to invest prudently to enhance our capabilities in the digital asset ecosystem.

Our future is digital, and new technologies are evolving at an immense speed. We believe being innovative is an unwavering path to enable the Group to grow and thrive in the ever-changing market environment and the Group is committed to invest for the future across our cybersecurity business, and financial services and investment business.

In closing, I would like to extend my gratitude to customers and partners and to our colleagues who demonstrated their ability to excel in the tough time. For the year ending 31 March 2023 ("FY2023"), I believe the Group is well-placed to achieve another new height and contribute to long-term value to our shareholders.

LIU Yui Ting Raymond
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 22 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Strong performance of cybersecurity products and services businesses

The cybersecurity products and services businesses performed strongly with revenue growth of approximately 28.0% as compared to FY2021 despite a backdrop of COVID-19 related social and travel restrictions and disruptions. The Group continues to see robust demand for our cybersecurity solutions, especially in the enterprise and government sectors. The Group's value added distributor approach meant we are able to maintain a healthy gross profit margin as our customers saw the Group's cybersecurity services business as an important component of ensuring their investments in cybersecurity solutions were protected through timely implementation and proper maintenance. This is reflected in the increased service delivery rate from cybersecurity services business, conducted under ESH (Hong Kong) Limited ("ESH"), which underpins the high client stickiness and low churn rate of our client.

The Group's future success will continue to depend on our ability to attract and retain talent and expertise to service customers. In FY2022, the Group incurred higher operating expenses especially in salaries and distribution and selling expense to ensure employee remuneration to remain competitive in a market where there is a shortage of IT professionals, especially in the cybersecurity field. We are proud of our staff who are committed and worked professionally throughout such challenging and disruptive year, and assisted our customers to complete several important cybersecurity implementation projects. The Group also expanded our cybersecurity solutions catalogue by working with globally renowned providers, and solidify offerings across seven focused areas, namely: (i) application monitoring, (ii) cyber threat security, (iii) data protection, (iv) DevSecOps/cloud security, (v) infrastructure & monitoring, (vi) network security, and (vii) security operations and orchestration.

The pace of digitalisation was accelerated by the COVID-19 pandemic which caused a profound impact on all business operations. We felt the demand from customers looking for more comprehensive cybersecurity solutions in response to the numerous cyber threats driven by the change in how we work. On the other hand, the COVID-19 pandemic outbreak also led to social and commercial activities lockdown in Hong Kong, the Group took timely precautions to protect our employees while managed to maintain normal business operations under remote working environment.

At the same time, our in-house Green Radar branded email security solution, has made tremendous progress into the email protection market during FY2022. The Company tripled the number of mailboxes protected and won contracts from several well-known brands and multinational conglomerates. This was made possible by securing distribution partnerships with three major telecommunication companies and a focus on enhancing our product offerings. The Group invested substantially in infrastructure capacity and entered into sale and purchase agreements to purchase Maldun Security Limited, a technology service provider, and Silverstone Network Limited and its subsidiaries, an IT security solution provider, respectively. These acquisitions will greatly enhance the Group's competitiveness and fuel the email security business with powerful security management and flexible security control at the network gateway for all emails.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Significant milestone for financial services and investment businesses

In January 2022, AGAM, an indirect non-wholly-owned subsidiary of the Group, was granted the approval from SFC to manage virtual assets. As one of the first asset managers to receive such grant of approval in the industry, the flagship "Smart Beta Fund", a risk-adjusted fund by tracking the ten most highly valued qualified cryptocurrencies was launched in FY2022.

In addition, the Group's long-term investment in the holding company of HKbitEX, which contributed fair value gain of approximately HK$14.6 million to the Group's profit in FY2022, as part of the Group's strategic investment to elevate our role in the digital asset market and accelerate the business growth. Although the recent volatility have dampened the sentiment in the cryptocurrency market, the Group remains optimistic about the outlook as digital asset and blockchain adoption continues to progress at a substantial pace. The Group believes that with greater clarity in regulation and higher level of participation from institutions and entrants, we are well-positioned to capture the opportunity growth ahead.

BUSINESS OUTLOOK

There is a broad consensus that online technology has gained even more prominence after the COVID-19 pandemic for businesses and customers. The increased usage and adoption of connected and cloud-based technologies and experiences have given rise to new challenges for companies to protect their critical business processes and customer data from cyber threats. Governments around the world, including the government of Hong Kong, have introduced active measures requiring companies to strengthen cyber and data security. We believe that our cybersecurity solutions are able to help protect our customers effectively with cost effective outlays.

The Group is well underway to align and augment our new sales approach to a recurring revenue model by increasing the proportion of subscription-based cybersecurity services in future. The Group expects the recurring revenue of the subscription-based model will provide us with a more sustainable income stream and a better way for customers to acquire the cybersecurity protections they need.

For the Green Radar business, which offers a subscription-based model, the Company is actively seeking to expand its service offerings beyond email protection to broaden the "security-as-a-service" approach. We believe this will help us capture greater "security-as-a-service" adoption especially in the small and mid-sized business segment.

Although the Group expects the macro economic and geopolitical uncertainty to continue in FY2023, we are still committed to invest in our people, our products and businesses for the long term. Therefore, the Group expects the operating costs to remain elevated as compared to prior years, especially in salary costs, and research and development efforts. However, the Group firmly believes that these investments will pay off for a more efficient and scalable business in the long term.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group expects a similar outlook for financial services and investment business. Although the digital asset management business has just commenced during the end of FY2022, the Group believes that we are well positioned as a regulated virtual asset manager, to help qualified investors to invest safely and securely in the growing digital asset sector. Many family offices and high-net-worth investors are already or are on the cusp of investing into cryptocurrencies through a regulated investment vehicle. This is an important milestone to help the Group realise the goal of becoming one of the leading digital asset managers in Asia. Together with other innovation projects that are under development, we firmly believe that the financial service and investment business will be a significant catalyst to the Group's growth, which will contribute to greater returns to our shareholders.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK$114.9 million, or approximately 28.0% from approximately HK$410.5 million for FY2021 to approximately HK$525.4 million for FY2022. The increase was mainly attributable to the core cybersecurity products and cybersecurity services businesses due to the continuous strong demand of cybersecurity products and cybersecurity services.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$4.4 million, or approximately 3.5% from approximately HK$124.0 million for FY2021 to approximately HK$128.4 million for FY2022. Our gross profit margin decreased from approximately 30.2% for FY2021 to approximately 24.4% for FY2022. The increase in gross profit compared with FY2021 was due to the continuous growth of revenue from cybersecurity products and cybersecurity services businesses. The lowered gross profit margin compared with FY2021 was mainly due to the product mix in cybersecurity products segment which generated comparatively lower gross profit margin in FY2022.

Other income

Our other income mainly comprises bank interest income and interest income from rental deposits, loan receivable and deposits for life insurance contracts that we purchased for certain directors of the Company and senior management of the Group.

Other gains and losses, net

Other gains and losses, net for FY2022, mainly represented the fair value gain on financial assets at fair value through profit or loss ("FVTPL") of approximately HK$14.6 million and net gain on disposal of property and equipment of approximately HK$2.6 million. Such significant fair value gain on financial assets at FVTPL was mainly contributed from the unlisted investment of the holding company of HKbitEX of approximately HK$14.6 million in FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Distribution and selling expenses

Our distribution and selling expenses increased by approximately HK$11.4 million, or approximately 41.0% from approximately HK$27.7 million for FY2021 to approximately HK$39.0 million for FY2022. The increase was mainly due to the increase in staff costs to cope with the expansion of the Group's businesses.

Administrative and other expenses

Our administrative and other expenses increased by approximately HK$28.5 million, or approximately 53.4% from approximately HK$53.4 million for FY2021 from approximately HK$81.9 million for FY2022.

To cope with the continuous expansion of the Group and the demand of our cybersecurity products, the administrative and general operation overheads increased in FY2022 mainly due to the increase in (i) administrative staff costs of approximately HK$15.7 million; (ii) legal and professional fees of approximately HK$3.2 million; and (iii) general operating costs of approximately HK$9.6 million.

Finance costs

Our finance costs increased by approximately HK$0.6 million, or approximately 45.9% from approximately HK$1.4 million for FY2021 to approximately HK$2.0 million for FY2022, such increase was mainly due to increase in bank borrowings.

Taxation

Our taxation decreased by approximately HK$5.9 million, or approximately 65.6% from approximately HK$8.9 million for FY2021 to approximately HK$3.1 million for FY2022, such decrease was mainly due to the combined effects of (i) the decrease of taxation in FY2022 of approximately HK$3.0 million as a result of decrease in taxable profits incurred and (ii) the increase in recognition of tax losses as deferred tax assets of approximately HK$2.9 million.

Profit for the year attributable to owners of the Company

The profit attributable to owners of the Company for FY2022 was approximately HK$22.8 million, which decreased by approximately HK$12.0 million or approximately 34.4% from approximately HK$34.7 million for FY2021, such decrease was mainly due to the increase in operating expenses incurred to cope with the Group's business expansions which was partial offset by the fair value gain on the financial assets at FVTPL as mentioned above.

Cash flow

The net cash generated from operating activities decreased by approximately HK$15.0 million from approximately HK$34.9 million in FY2021 to approximately HK$20.0 million in FY2022, representing a decrease of approximately 42.9%. The decrease in cash generated from operating activities was mainly attributable to the decrease in operating profit in FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Dividend

In view of the impact of the ongoing COVID-19 pandemic on the global economy, the recent uncertainties in the market and the importance of maintaining sufficient liquidity for the Group's long-term development, the Board recommended not to pay a final dividend for FY2022.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

We financed our operation mainly through cash generated from our operating activities and bank borrowings. As at 31 March 2022 and 2021, we had cash and cash equivalents of approximately HK$49.1 million and HK$73.4 million, respectively. The Group's gearing ratio was approximately 43.4% and 28.1% as at 31 March 2022 and 2021, respectively.

CAPITAL STRUCTURE

As at 31 March 2022, the capital structure of the Company comprised issued share capital and reserves.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group had no significant capital commitment in respect of property and equipment contracted but not provided for (31 March 2021: HK$25.3 million).

SEGMENT INFORMATION

An analysis of the Group's revenue, assets and liabilities from reportable segment and by geographical locations is set out in note 7 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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENTS

As at 31 March 2022, the financial assets at FVTPL of the Group amounted to approximately HK$42.3 million (31 March 2021: HK$36.3 million), including (a) unlisted investment of approximately HK$37.9 million (31 March 2021: HK$23.3 million), (b) equity securities of approximately HK$0.3 million (31 March 2021: HK$13.0 million) and (c) unlisted fund investment of approximately HK$4.1 million (31 March 2021: Nil).

The directors of the Company ("Directors") considered that (i) investments with a carrying amount that account for more than 5% of the Group's audited total assets as at 31 March 2022; or (ii) investments which recorded realised or unrealised gain/(loss) of over HK$5 million during FY2022 as significant investments.

Description of investments	Notes	Carrying amount as at 1 April 2021 HK$'000	Acquisition and disposal, net during the year HK$'000	Fair value gain or loss recognised in profit and loss, net during the year HK$'000	Carrying amount as at 31 March 2022 HK$'000	Percentage to the Group's audited total assets as at 31 March 2022
Financial assets at FVTPL						
Unlisted investment, at fair value – investment in the holding company of HKbitEX	(a)	23,264	–	14,590	37,854	7.01%
Equity securities listed in Hong Kong and the United States	(b)	13,021	(12,580)	(178)	263	0.05%
Unlisted fund investment		–	3,923	220	4,143	0.76%
Total		36,285	(8,657)	14,632	42,260	7.82%

Notes:

(a) This unlisted investment, represented approximately 6% of issued shares (on an as-converted basis) of the Tykhe Capital Group Limited ("Tykhe"), subsequently, in July 2021, Tykhe completed a subscription agreement with several investments with respect to issuance of Pre-Series B Preference Shares of Tykhe and our shares represented approximately 5.82% of issued shares (on a converted basis) of Tykhe. Such unlisted investment was held for an identified long term strategic purpose and the Group does not intend to dispose such shares in the foreseeable future.

Tykhe was established in July 2018 and principally engaged in the operation of a virtual asset trading exchange through its wholly owned subsidiary, HKbitEX. HKbitEX is headquartered in Hong Kong and was one of the first applicants which applied to the SFC for dealing in securities (Type 1) and automated trading services (Type 7) licences for the purpose of a virtual asset trading platform, which will enable them to offer regulated virtual asset trading services to global professional and institutional investors.

As at 31 March 2022, the fair value of this unlisted investment was approximately HK$37.9 million based on the valuation report prepared by a professional valuer.

(b) As at 31 March 2022, the Group's held only one equity security listed in Hong Kong. Such investments had a carrying amount that account for less than 5% of the Group's audited total assets as at 31 March 2022 and there was no investment which recorded realised or unrealised gain/(loss) of over HK$5 million during FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

ACQUISITION OF PROPERTIES

On 26 January 2021, Edvance Property Investment (Hong Kong) Limited ("EPIHK"), an indirect wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement ("Provisional Agreement") with Right Union Development Limited ("Right Union"), an independent third party, pursuant to which EPIHK had conditionally agreed to acquire, and Right Union had conditionally agreed to sell, shop A and flat roof A,10th floor, Montery Plaza, No. 15 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong ("Properties") at the consideration of HK$25,791,757 ("Properties Acquisition"). In accordance with the terms and conditions of the Provisional Agreement, on 8 February 2021, EPIHK and Right Union entered into the formal sale and purchase agreement ("Formal Agreement") in respect of the Properties Acquisition on the same principal terms as set out under the Provisional Agreement.

On 4 May 2021, all the terms and conditions of the Formal Agreement, had been fulfilled and completion of the Properties Acquisition took place with immediate effect. Upon completion of the Properties Acquisition, EPIHK had become the sole owner of the Properties. Further details of the Properties Acquisition are set out in the announcements of the Company dated 26 January 2021 and 4 May 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 29 October 2021, Axion Global Digits Technology Group Limited ("AGDT"), a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement, as a purchaser with Mr. Pang Yu Kei Ivan ("Silverstone Vendor"), an independent third party of the Group, as a vendor, pursuant to which AGDT had agreed to purchase one share of Silverstone Network Limited ("Silverstone Share"), representing all issued shares of Silverstone Network Limited and its subsidiaries (collectively as "Silverstone Group") and the Silverstone Vendor had agreed to sell the Silverstone Share at the consideration of HK$5,000,000. The Silverstone Group is engaged in the provision of IT security solution. Completion took place on 29 October 2021 and the Silverstone Group became wholly-owned subsidiaries of the Company.

On 21 January 2022, AGDT, entered into the sale and purchase agreement, as purchaser, with Mr. Ding Binxing ("Maldun HK Vendor"), an independent third party of the Group, as a vendor, pursuant to which AGDT had agreed to purchase all issued shares, ("Maldun HK Shares") of Maldun Security Limited ("Maldun HK") and the Maldun HK Vendor had agreed to sell the Maldun HK Shares at the consideration of HK$24,000,000. Maldun HK is engaged in provision of technology service. Completion had been taken place on 18 February 2022 and Maldun HK became a wholly-owned subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The acquisition of Silverstone Group and Maldun HK would enhance the further development of the Group's cybersecurity services business, especially on the Group's proprietary artificial intelligence engine and adaptive infrastructure. We hope to increase our market share and enhance our competitiveness in grMail under Green Radar, the cloud-based email security platform.

Save as disclosed above, the Group had no other significant investment, material acquisitions or disposals of subsidiaries and affiliated companies during FY2022.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no material contingent liabilities (as at 31 March 2021: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in United Stated 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 FY2022.

CHARGE ON GROUP'S ASSETS

As at 31 March 2022, the Group's bank borrowings were secured by the properties located in Hong Kong and Singapore, and life insurance contracts entered into with a bank.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group had 132 employees (as at 31 March 2021: 128 employees) and most of them were working in the Hong Kong offices. We incurred staff costs inclusive of performance related bonus, share based payments and directors' emoluments of approximately HK$97.8 million and HK$69.0 million for FY2022 and FY2021, 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 and share award scheme, which are designed to provide incentives and rewards to the Group's employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Yui Ting Raymond (廖銳霆) ("Mr. Raymond Liu"), aged 53, was appointed as the chairman of the Company ("Chairman"), re-designated as an executive Director on 21 November 2016, and was appointed as the chief executive officer of the Company ("Chief Executive Officer") on 18 September 2020. He is one of the founders of the Group and has been directors 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 56.34% of the total issued share capital of the Company.

Mr. Raymond Liu has over 30 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 Hewlett-Packard Hong Kong Ltd ("HP Hong Kong"), from October 1994 to October 2000, and he last served as a consultant responsible for managing large scale IT bids and projects implementation. He was a vice president of e2 Tech Advisory Group Limited, a subsidiary of e2-Capital (Holdings) Limited (currently known as FDG Kinetic Limited) (stock code: 378) and principally engaged in financing, securities trading and asset investments, from October 2000 to March 2001, and was responsible for managing business and technology consulting projects. He was the vice president of Ebizal Consulting (Hong Kong) Limited from April 2001 to November 2001, and he was responsible for overseeing the business and technology consulting team.

Mr. 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 44, was appointed as an executive Director on 21 November 2016 and is a director of a number of subsidiaries of the Company. He joined the Group in May 2004 as an associate consultant and was promoted to director of the product strategy and management department of Edvance Technology (Hong Kong) Limited, a subsidiary of the Company, in November 2014. He is currently responsible for the marketing of cybersecurity products and services of the Group.

Mr. Francis Lee has over 20 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) ("Mr. Von") (also known as Wong Kai Meng), aged 57, was appointed as an executive Director on 21 November 2016 and is a director of a number of subsidiaries of the Company. He joined the Group in August 2015 initially as a support business director and was promoted to 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 5.93% 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.àr.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 51, 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 23 years of experience in the IT industry. He joined HP Hong Kong in September 1997 and subsequently Hewlett-Packard HKSAR Ltd., 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

Mr. Lo Wai Ho Ashley (羅偉浩) ("Mr. Ashley Lo"), aged 57, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Kwok Chun Raymond (余國俊) ("Mr. Raymond Yu"), aged 66, 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 59, 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.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Chan Siu Ming Simon (陳兆銘) ("Mr. Simon Chan"), aged 54, 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 18 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) ("Ms. Flavia Hung") (also known as Ms. Hung Yat Yee Flavia 洪逸儀), aged 54, 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 was a financial planner of AIA International Limited from March 2018 to May 2021. 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. Since April 2022, Ms. Flavia Hung has also been appointed as an independent non-executive director of One Media Group Limited (Stock code: 426), a company whose shares are listed on the main board 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.

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

Ms. Tsai Shuen Shuen (蔡旋旋) ("Ms. Tsai"), aged 46, joined the Group in September 2016. She is the chief executive officer 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 18 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 a diploma in business administration from Hong Kong Shue Yan University in 1999 with honors.

Mr. Ma Wai Hung (馬偉雄) ("Mr. Ma"), aged 46, joined the Group in February 2021. He is the executive vice president of Green Radar Holdings Limited, leading the Hong Kong and Singapore offices for the overall development and sales strategy execution of email security business.

Mr. Ma has over 21 years of experience in the Information Technology, Telecommunications and Cybersecurity industry. Prior to joining Green Radar, Mr. Ma worked as Director and General Manager of Hong Kong and Macau in Aruba for 7 years, from 2014 to 2021, he was primarily responsible for the overall business growth and strategic planning for the company. In 2000, he joined CITIC Telecom CPC and had worked in different roles from Account Manager to General Manager, Sales.

Mr. Ma holds a bachelor of business administration degree in economics from The Hong Kong University of Science and Technology.

Mr. Ho Chun Kit (何俊傑) ("Mr. Ho"), aged 45, joined the Group in January 2021. He is the chief executive officer of strategy and innovation of Axion Global Digits Technology (Hong Kong) Limited. He takes charge of the company's new businesses, overseeing the strategic development of fintech ventures, innovation and digital asset management.

Mr. Ho was the former head of merchant sales and solutions for Hong Kong and Taiwan with Visa International, having previously served as head of digital. With a deep understanding of the payment ecosystem and digital technology, he had successfully implemented several fintech initiatives with financial institutions, enterprise merchants and digital platforms during his tenure with Visa. Before joining Visa, he had taken up various management roles in the information technology and telecommunications companies, including Microsoft and SmarTone.

Mr. Ho holds a bachelor of arts degree in accounting and a master's degree in business information technology systems from the Strathclyde Business School in the United Kingdom.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Ms. Law Wai Chi (羅偉慈) ("Ms. Law"), aged 42, joined the Group in December 2003, she is the strategic projects and corporate development director since February 2020. She joint 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 19 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.

COMPANY SECRETARY

Mr. Yuen Chun Fai (阮駿暉) ("Mr. Yuen"), aged 43, was appointed as the company secretary of the Company on 1 June 2020. Mr. Yuen is primarily responsible for overseeing and monitoring the company secretarial matters and corporate finance exercises of the Group.

Mr. Yuen has over 19 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 independent non-executive director of Cornerstone Technologies Holdings Limited (Stock Code: 8391), a company whose shares are listed on GEM of the Stock Exchange. Mr. Yuen has also been appointed as an independent non-executive director of Hong Kong Education (Int'l) Investments Limited (Stock code: 1082), a company whose shares are listed on the main board of the Stock Exchange, since February 2022. From August 2015 to August 2020, Mr. Yuen was 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.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for FY2022.

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 the Shareholders' interests.

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") within the then prevailing Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules.

In the opinion of the Directors, save for the deviation of code provision A.2.1 of the CG Code, as disclosed in the paragraph headed "Chairman and Chief Executive Officer" below, the Company has complied with the Code Provisions as set out in the CG Code during for FY2022 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 summarised 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 collectively 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 Islands, Hong Kong and all other jurisdictions the Group operates in 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 FY2022 and up to the date of this annual report:

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

Non-executive Directors
Mr. Lo Wai Ho Ashley
Dr. Tang Sing Hing Kenny
(Resigned on 31 May 2021)

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

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, one (1) non-executive Director 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 FY2022, 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, 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 ("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. Three Directors (one (1) executive Director and two (2) independent non-executive Directors) will retire at the conclusion of the forthcoming annual general meeting of the Company be held on Tuesday, 9 August 2022 ("2022 AGM") and be eligible to offer themselves for re-election at the 2022 AGM.

The Board and the NC of the Company has recommended the re-election of all the retiring Directors standing for re-election at the 2022 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 the NC 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 NC 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, Hong Kong and other jurisdictions the Group operates in.

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 FY2022 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 Yui Ting Raymond	✔	✔
Mr. Lee Francis Sung Kei	✔	✔
Mr. Von John	✔	✔
Mr. Lam Tak Ling	✔	✔
Non-executive Directors		
Mr. Lo Wai Ho Ashley	✔	✔
Dr. Tang Sing Hing Kenny (Resigned on 31 May 2021)	✔	✔
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	✔	✔

CORPORATE GOVERNANCE REPORT (continued)

Besides, the Company keeps circulating information and materials to develop and update Directors' 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 (collectively as the "Committees") are normally made available to Directors and members in advance. Board members are provided with meeting notice, 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 the 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	1/1
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						
Mr. Lo Wai Ho Ashley	1/1	4/4	N/A	N/A	N/A	N/A
Dr. Tang Sing Hing Kenny (Resigned on 31 May 2021)	N/A	1/1	N/A	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Yu Kwok Chun Raymond	1/1	4/4	2/2	1/1	1/1	N/A
Mr. Ng Tsz Fung Jimmy	1/1	4/4	2/2	1/1	1/1	1/1
Mr. Chan Siu Ming Simon	1/1	4/4	2/2	1/1	1/1	N/A
Mrs. Wong Hung Flavia Yuen Yee	1/1	4/4	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 CG Code, 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 FY2022, one Chairman and Independent non-executive Directors Meeting was held.

All business transacted at the Board meetings and by written resolutions were well-documented with details of matter considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, with final version circulated to all Directors. 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

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Raymond Liu is the Chairman and the Chief Executive Officer during FY2022, it constituted a deviation from code provision A.2.1 of the CG Code.

The Board considers that this is a very important phase of the Group's development and the Chief Executive Officer ought to be tasked with additional responsibilities to oversee, lead and steer the Group from a business perspective that covers the new businesses and was much broader than the Group's principal engagement in the distribution of cybersecurity products and the provision of cybersecurity services. Given the importance of the Group's expansion and diversification into new businesses, the Board considers that Mr. Raymond Liu is best suited to take up the additional responsibilities to oversee, lead and steer the Group from a business perspective that covers the new businesses and is broader than the Group's principal engagement in the distribution of cybersecurity products and the provision of cybersecurity services.

The Board believes that Mr. Raymond Liu's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group, and Mr. Raymond Liu, by assuming the roles of both Chairman and Chief Executive Officer, would allow efficient business planning and decision for the Group as a whole, which the Board believes is for the best interest of the Group and the Shareholders.

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, there are procedures in place for the Directors to seek independent professional advice in appropriate circumstance, at the Company's expense, if required.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of the Shareholders. Each of the Directors was able to attend the Company's annual general meeting held on 6 August 2021.

CORPORATE GOVERNANCE REPORT (continued)

AUDIT COMMITTEE

The Company established the AC 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 AC 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 FY2022 and up to the date of this annual report, the members of the AC met twice with the external auditors. During FY2022 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 30 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 twice, of which the meetings were also with the presence of the senior management of the Company and performed the following major tasks:

– review and discussion of the 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;
- review and monitor the external auditor's independence and objectivity and effectiveness of the audit process;
- nature and scope of audit and reporting obligations;
- engagement on external auditor to supply non-audit services; and
- review of the Company's continuing connected transactions for FY2022 pursuant to the Listing Rules.

The Board is of the view that the AC has properly discharged its duties and responsibilities during FY2022 and up to the date of this report.

During FY2022, the AC reviewed, among others, the annual and interim results of the Group, which were in the opinion of the AC that the preparation of such consolidated financial statements and results complied with the applicable accounting standards and the Listing Rules.

The AC 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 NC 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 NC 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 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 NC 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 NC 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;
- review and discussion of the process and criteria to select and recommend candidates for directorship;
- assessment of the independence of the existing INEDs;

CORPORATE GOVERNANCE REPORT (continued)

– recommendation on the re-appointment of retiring Directors at the annual general meeting of the Company ("AGM") pursuant to the Articles of Association and succession planning of Directors;

– 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 RC 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 RC 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 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 FY2022 is set out below:

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

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for FY2022 are set out in note 13 to the consolidated financial statements, contained in this annual report.

The members of the RC should meet at least once a year. During FY2022 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 30 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:

– consulted the Chairman about the RC remuneration proposals for other executive directors;

– reviewed the policy and structure of the remuneration for all the Directors and senior management as well as the remuneration packages paid during FY2022;

– reviewed all the senior management's remuneration paid during FY2022 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; and

– reviewed and ratified service contracts signed by the Directors.

INVESTMENT COMMITTEE

The Company established the IC 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 two (2) executive Directors, namely Mr. Raymond Liu and Mr. Francis Lee, and one (1) independent non-executive director, namely Mr. Jimmy Ng. Mr. Raymond Liu currently serves as the chairman of the IC. Dr. Tang Sing Hing Kenny resigned as a member of the IC with effect from 11 May 2021 and Mr. Francis Lee was appointed on the same date to take the place of Dr. Tang Sing Hing Kenny.

During FY2022, the members of the IC met once. During FY2022 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 30 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 eight male Directors and one female Director. 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 for a diversed Board. 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 NC on a yearly basis.

CORPORATE GOVERNANCE REPORT (continued)

Monitoring and Reporting

The NC will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The NC will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The NC 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 FY2022, the individual attendance records of each member of the NC at the meeting of the NC is set out on page 30 of this annual report.

BOARD NOMINATION POLICY

The Company has adopted a nomination policy for the NC to consider and make recommendations to the 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 NC 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 NC 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 NC 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 NC 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 NC would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

d. the NC 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 NC 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 NC.

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. Any declaration of final dividends for the year will be subject to the approval of the 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 and report to 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.

Mr. Yuen was appointed as the company secretary of the Company in June 2020. Mr. Yuen has complied with all the required qualifications, experiences and training requirements under the Listing Rules. For FY2022, Mr. Yuen 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 FY2022, 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 93 to 97 of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

Auditors' Remuneration

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

During FY2022, 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	2022 HK$'000	2021 HK$'000
Audit services	1,678	1,440
Non-audit services	825	79

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 ("Model Code"). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for FY2022 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 ("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 FY2022 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 prioritises 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. During FY2022, the Group appointed Apex Risk Management Limited ("Apex") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment conducted by Apex were reported to the AC and the Board (the "Internal Control and Risk Management Report") to ensure prompt remediation actions are taken. Deficiencies in the design and implementation of internal control systems are identified and recommendations are proposed by Apex in the Internal Control and Risk Management Report for improvement in internal control and risk management measures. Based on the Internal Control and Risk Management Report, the Board oversaw and 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 and adequate.

CORPORATE GOVERNANCE REPORT (continued)

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. 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.

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 AGM and the extraordinary general meetings ("EGM") of the Company.

The 2022 AGM of the Company will be held on Tuesday, 9 August 2022, the notice of which shall be sent to the Shareholders in accordance with the Articles of Association of the Company, the Listing Rules and other applicable laws and regulations. Based on the announcement of the Company dated 22 June 2022, the Board proposed to amend the Articles of the Company and to adopt a new set of amended and restated memorandum and articles of association of the Company in substitution for and to the exclusion of the existing Articles in order to, amongst others, (i) bring the relevant provisions of the Articles of the Company in line with the recent changes in the Listing Rules and the applicable laws of the Cayman Islands, including but not limited to the latest requirements in relation to the core shareholder protection standards as set out in Appendix 3 to the Listing Rules; (ii) allow general meetings to be held by physical, hybrid or electronic means; and (iii) make other consequential or housekeeping amendments.

SHAREHOLDERS' RIGHTS

The Group recognises the Shareholder's rights in exercising control proportionate to their equity ownership. As one of the measures to safeguard the Shareholders' interest and rights, separate resolutions are proposed at the Shareholder's meetings on each substantial issue, including the election of Director(s), for the Shareholder's consideration and voting. All resolutions put forward at the 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.

CORPORATE GOVERNANCE REPORT (continued)

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.

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

Address: 20th Floor, 8 Wyndham Street, Central, Hong Kong
Tel: (852) 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 the 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 THE SHAREHOLDERS

In order to enable the Shareholders to exercise their rights in an informed manner, and to allow the 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, 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 (all the Shareholders are given a minimum of 21 clear days' notice of the date and venue of the general meeting of the Company); and

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

The Company supports the CG Code's principle to encourage Shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company were adopted and effective on 31 July 2020 to reflect the transfer of listing from GEM to the Main Board of the Stock Exchange.

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

ABOUT THE REPORT

Edvance International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present its sixth Environment, Social and Governance Report ("ESG Report"). The ESG Report outlines the Group's environmental, social and governance ("ESG") measures and management approach, and summarises relevant performances with the aims of facilitating understanding and promoting improvement in pursuing sustainable development for its stakeholders and business. The ESG Report covers the period of FY2022, from 1 April 2021 to 31 March 2022 ("Reporting Period"). It is prepared both in Chinese and English versions, and has been uploaded to the website of the Stock Exchange ("HKEx") at www.hkexnews.hk and the Group's website at www.edvanceintl.com.

Reporting Scope and Boundary

As the business operated in Hong Kong had generated more than 90% of the Group's total revenue in FY2022, this ESG Report focuses on the Group's core business operations in relation to cybersecurity products and services, as well as financial services and investment business in Hong Kong, excluding the operations in Macau, Mainland China, Singapore and Mongolia. Due to its industry nature, the generation or consumption of wastewater, packaging materials, hazardous and non-hazardous waste are not material issues to the Group as it does not generate or consume significant amounts of the above items. According to the principle of materiality, the relevant figures are not disclosed in the ESG Report. To improve the accuracy and comprehensiveness of information in reflecting its sustainability performance, the Group will continue to review and enhance its internal data collection process in future reporting.

Reporting Principles

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Listing Rules by the HKEx in which the Group has complied with the disclosure requirements of the "mandatory disclosure requirements" and "comply or explain" provisions. During its preparation, the Group has adhered to the four reporting principles of materiality, consistency, balance and quantitative.

Reporting Principles	The Group's Application
Materiality	The Group conducted a questionnaire survey during FY2022 to engage and communicate with different stakeholders in the materiality assessment. Based on the results, the Group identified material issues to structure the ESG Report and make key disclosures.
Quantitative	Quantitative data of KPIs are disclosed where feasible with appropriate comparison with previous years. Standards, methodologies and/or assumptions derived for the calculation are also stated in the ESG Report.
Balance	The ESG Report discloses both achievements and challenges faced by the Group in an objective and unbiased manner, to present a fair overview of its ESG performance.
Consistency	To allow meaningful comparison of its ESG performance, where feasible, consistent methodologies have been adopted in measurement and calculation of key performance indicators ("KPIs") for disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Feedback

The Group believes feedback from different stakeholders are valuable to improve its ESG performance and governance. Any questions or suggestions regarding this ESG Report or other ESG matters are welcomed, please share your views with the Group through email address: info@edvanceintl.com.

SUSTAINABILITY GOVERNANCE

As a responsible corporate, the Group is committed to pursue sustainable development of its business and promote interest of different stakeholders and the Group. The Group recognises the importance of a sound ESG management system in facilitating its strategic and sustainable development, and endeavors to enhance its ESG performance. During this Reporting Period, as the first step to enhance the effectiveness in ESG governance, the Group established its sustainability governance structure dedicatedly responsible for managing and monitoring ESG issues.

The Board has ultimate responsibility for the oversight of issues in relation to the establishment and monitoring of the Group's ESG risk management, strategies, policies, and targets. Assisted by the Working Committee of ESG ("ESG Committee"), the Board refers to the comments collected from different stakeholders to identify the material ESG issues. By doing so, the Board can conduct regular discussion and review on material ESG issues, and undertakes ESG-related risk identification, analysis, and management with the AC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Structure of ESG Working Committee

With the stewardship of the Board, the ESG Committee is formed by senior management and the Company Secretary, Human Resources Department and Operation Finance Department. The ESG Committee is responsible for monitoring the Group's ESG performance, collecting ESG performance data and identifying the relevancy and materiality of the ESG issues. Under management of the ESG Committee, different execution departments of the Group implement ESG policies and measures, and collect relevant data for analysing the impacts of implementations.

Board of Directors

- Oversees overall ESG approaches related to the establishment and monitoring of the Group's ESG risk management, strategies, policies, and targets
- Conducts regular discussion and review on material ESG issues
- Undertakes ESG-related risk identification, analysis, and management with the Audit Committee

ESG Working Committee

- Monitors the Group's ESG performance, collects ESG performance data and identifies the relevancy and materiality of the ESG issues
- Reports material ESG issues to the Board regularly in support of the Board's sustainability risk identification, strategies and policies determination and other relevant decision-making process
- Reviews the implementations of ESG policies and measures at the execution level and reports regularly
- Sets KPIs for individual departments to facilitate the implementations

Execution Departments

- Implement ESG policies and measures and collect relevant data for analysing the impacts of the implementations
- Recommend adjustments and improvement plans to their department heads if necessary

Looking forward, the Group will continue to maintain and improve its ESG governance so as to incorporate sustainable development into its business and attain satisfactory ESG performance.

STAKEHOLDER ENGAGEMENT

The Group recognises the importance of stakeholder engagement in helping its ESG performance review and risk management, and further promoting its business and sustainable development. It therefore regularly engages its stakeholders to understand their aspirations, needs and concerns through various communication channels. Timely review is also conducted to maintain effective and open communication with different parties. With that, business decisions and strategic priorities could be developed to align its business practices and planning with its stakeholders' concerns.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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Stakeholder Communication

During FY2022, the Group has maintained the following channels to interact and communicate with its key stakeholder groups:

Key stakeholder groups	Communication and responses
Shareholders/investors	– Maintaining periodical corporate communication through announcements and circulars, Annual General Meetings, Company's website, financial reports, etc. to understand their concerns
	– Disclosing transparent and updated information to address concerns over issues including profitability, stability, sustainability and governance, etc.
Employees	– Sustaining two-way communication through internal communication system involving email, regular meeting, annual performance appraisals, employee training and activities, etc.
	– Ensuring the protection of employees' rights and interests with sound employment system, fair opportunities, safe and healthy working environment
Customers	– Utilising means such as customer support service, meetings and visits, customer satisfaction survey, etc., to understand customers' needs and useful opinions on the design and quality of products and services
	– Maintaining reliable and quality of products and services, and responding to customers' feedback, to attain customer satisfaction and integrity
Suppliers and business partners	– Conducting regular communication through meetings and visits, supplier assessment, contracts and agreements, etc., to exchange feedback on its performance and management
	– Retaining fair and open procurement and complying with business ethics for long-term cooperation
Authorities and communities	– Shouldering corporate responsibility through operation under legal compliance, community involvement and donations, etc.
	– Disclosing information through press release and Company's website, and open to public enquiry and supervision

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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Materiality Assessment

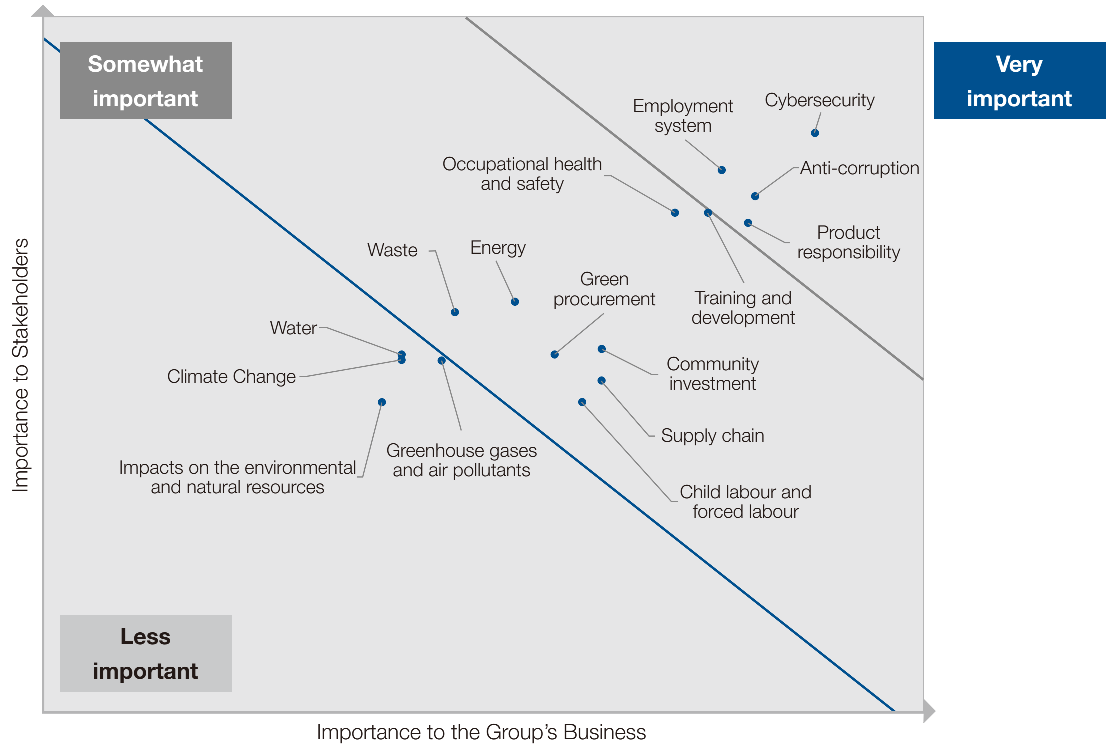
With varying importance of different ESG-related issues to stakeholders and business development of the Group, it is crucial to consolidate and strike a balance among various issues in a timely manner. To facilitate the evaluation, prioritisation and management of material ESG-related issues, the Group had commissioned an independent consultancy to conduct a questionnaire survey and collect stakeholders' opinions. Results were processed for materiality assessment to identify material environmental and social issues, so as to facilitate the Group's ESG management and reporting.

1. Identification	2. Prioritisation	3. Validation
• Screen and identify substantive issues derived from reporting guide, industry trends and development plans of the Group.	• Invite stakeholders to complete a questionnaire in assessing relative importance of the issues. • After data collection, consolidate and analyse the materiality ranking of each issue.	• Submit materiality assessment results to senior management and the Board for review and confirmation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Materiality Matrix and Material Issues

For FY2022, the Group invited Board members and employees to participate in the questionnaire survey. Covering 4 aspects of Environmental Protection, Employment and Labour Practices, Operation Practices and Community, 16 ESG-related issues were presented to stakeholders for rating their importance to individual and the Group's business respectively. Based on the result, 4 issues were identified to be most material.



The following table listed the materiality assessment results in descending order of materiality:

Very important issues		Somewhat important issues		Less important issues	
1	Cybersecurity	5	Training and development	13	Greenhouse gases and air pollutants
2	Employment system	6	Occupational health and safety	14	Water
3	Anti-corruption	7	Community investment	15	Climate change
4	Product responsibility	8	Energy	16	Impacts on the environmental and natural resources
		9	Supply chain		
		10	Green procurement		
		11	Child labour and forced labour		
		12	Waste		

In the future, the Group will expand the coverage of participants for a more constructive and representative materiality assessment result, so as to concisely address the interests of different stakeholders and promote its ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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OPERATING PRACTICES

Integrity is the foundation of the Group. It is committed to maintain open, honest and trustworthy attitude in dealing with customers, suppliers, contractors, representatives, co-workers, shareholders and the communities involved in its operation. On top of fulfilling the highest standards of corporate behaviors, it devotes effort to ensure accountability and pursue excellence in practices of product responsibility, anti-corruption and supply chain management.

Product Responsibility

As a responsible corporate, the Group believes sustaining quality products and services is of paramount importance to retain reputation and secure long-term customer trust.

To govern the purchase, access and use of products and services delivered efficiently, the Group established the *End User License Agreement* and product playbooks for customers and business partners, providing clear and comprehensive information. Also, in the *Internal Control Policy*, the Group has standardised procurement, product delivery and return procedures in place, to foster the quality control and management. If the customers have any inquiry or concern over product quality, the Group's customer service system serves as the supporting mechanism for quality assurance. The Group will follow up till the case is fully handled to ensure customer satisfaction.

Due to the nature of business, the Group does not have significant health and safety, advertisement and labelling matters relevant to its products and services provided. During the Reporting Period, it was not aware of any cases of material non-compliance with laws and regulations relating to product responsibility. Also, it did not have any product subject to recalls for safety and health reasons.

Data Privacy and Information Security Policy

The Group places high priority to safeguard data privacy and information security, and therefore strives to maintain a sound data security system and measures. In its *Internal Control Policy*, the *Computer Control Procedure* is in place to manage physical access control and security, as well as data security.

The Group has formulated the *IT Security Policy* with regard to the use and security of its computer systems, networks, and information resources. The policy provides clear specification to secure information from disclosure, unauthorised access, loss, corruption and interference. Employees found to have violated any of the policy may be subject to disciplinary action, up to and including termination of employment.

Under the policy, various measures have been implemented to uphold confidentiality and prevent security risks. For instance, the Group would back up critical data and system configurations on a regular basis and store the data in a separated place, which periodic tests and review will be carried out to guarantee the effectiveness. It will also conduct security audits on different systems to facilitate integrity, confidentially and availability of information and resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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The Group prohibits disclosure of any confidential and proprietary information to third parties without proper and specific authorisation. It regulates the handling of classified or proprietary information by employees through the *Code of Conduct* included in *Employee Handbook*. Employees with access or in control of sensitive information are also reminded to maintain utmost caution and safeguard in preventing any abuse or misuse. On the other hand, the *End User License Agreement* includes terms and conditions regarding personal data and privacy. It ensures customers that the Group would make lawful and appropriate use, process and transfer of personal data, so as to protect customer data from loss, misuse, unauthorised access, disclosure, alteration and destruction.

The Group strictly adheres to the *Personal Data (Privacy) Ordinance* and other applicable laws and regulations. It was not aware of any cases of material non-compliance with laws and regulations relating to data privacy and information security arising in the Reporting Period. Also, there was no related incidents occurred within the Group.

Intellectual Property ("IP") Rights

The Group understands the importance of respecting, observing and protecting IP rights given it has registered a number of trademarks in Hong Kong and branded its business with the name of "Edvance" and "Green Radar".

In prevention of relevant risks, it actively manages and safeguards all IP rights it involved. The Group has set out detailed terms and conditions for the ownership and IP rights of its products in the *End User License Agreement*, to ensure relevant rights and responsibilities. Meanwhile, as stated in the *Employee Handbook*, the Group requires all employees to secure all IP rights of the Group and third parties. Apart from complying with related licensing terms of software used, they are also prohibited from duplicating, installing or using infringing copies of copyright works. To combat against any infringement or other misuse of IP rights, it clearly stated that employees in violation of the policy will be subject to disciplinary action as well as civil and criminal liabilities. It will also take immediate action and report to relevant parties if any illegal or unauthorised use of copyright works is discovered.

The Group fully applies for and protects IP rights in accordance with the *Copyright Ordinance* and other relevant laws and regulations. During the Reporting Period, it did not observe any material breaches of laws and regulations relating to intellectual property rights. No infringement cases were reported.

Customer Services

Creating exceptional value through innovative product and service solutions to customers is one of the primary aims of the Group, which ensures customers' satisfaction and support for its business sustainability. It therefore upholds the philosophy of catering to customer needs and expectation with the most suitable and high quality of product and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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The Group developed a Customer Relationship Management System (CRM), channeling timely and efficient customer services through customer support hotline and support email. To ensure the delivery of professional customer services, the Group also standardised the service provision with the *Scope of Work for 24X7 Local Support Services by Edvance (Hong Kong)*. Once any call received from customer, the Group will log the support case and assign engineer to follow-up. Communication and impact analysis will then be performed for troubleshooting in due course. It also stipulated different response time allowed regarding the severity level of the case. Critical case may be escalated to the Edvance Technical Support Manager and Third Line Support (i.e. product vendor support) for in-depth analysis to provide comprehensive resolution or workaround. The follow-up action will continue until the customer confirmed the problem had been resolved before case closure. In addition, the Group arranged staff trainings to sustain the service quality and consistency when handling customer complaints and conducting investigation.

During the Reporting Period, no material cases of customer complaints relevant to unsatisfactory of services or products were found.

Anti-corruption

The Group believes upholding high level of integrity and ethical values ensure its reputation and success, it therefore strives to sustain the highest ethical standards in operating its business. The *Internal Control Policy* and the *Employee Handbook* have stipulated relevant controls and standards to minimise the occurrence of bribery, extortion, fraud and money-laundering.

All supervisors are responsible for daily supervision on compliance of their subordinates, while the Human Resources Department is responsible for initiating and supervising the investigation of all reports of non-adherence, and ensuring follow-up action is taken when required. The Group has zero tolerance to non-compliance behaviors. Employee who violates any provision will be subject to disciplinary action. In cases of suspected corruption or other criminal offences, a report may be made to appropriate authorities.

Ethical requirements and conducts are also distributed to all employees in the *Code of Conduct* of the *Employee Handbook*. It aims to communicate their responsibilities to understand and comply with the *Code of Conduct*, and provide clear guidance involving issues like acceptance of advantages, conflict of interest, entertainment, etc. when performing their official duties.

In line with its commitment to maintain high standards of ethical, moral and legal business conduct, the Group has established the *Whistleblowing Policy* to provide an avenue for employees to raise concerns and protection assurance for whistleblowing. It encourages open communication and reporting of any suspicious misconducts through email or verbally to supervisor, Human Resources Department or to the Chairman. Allegations can be made anonymously or in real name, which confidentiality to the complainant's identity is guaranteed in prevention of harassment or victimisation for reporting concerns.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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The Group handles all reports in a serious and timely manner. Initial inquiries will be made to confirm the allegation and determine the form of investigation. Depending on the nature of the concern and the clarity of information provided, independent personnel will implement investigation and gather further information. Report on concern received and follow-up actions taken shall be submitted to the Audit Committee of the Company of Directors for monitoring.

During the Reporting Period, the Board of Directors had attended various of trainings to catch up with the latest developments in different aspects. To refresh the Directors' understanding on anti-corruption, relevant trainings will be provided in the coming financial year.

The Group fully complies with the *Prevention of Bribery Ordinance* and other relevant laws and regulations. During the Reporting Period, it was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering. There were also no legal cases of corrupt practices against the Group and its employees.

Supply Chain Management

On the ground of honesty, fairness and mutual trust, the Group aims to develop long-term relationship with its suppliers and realise sustainable development collectively.

In its supply chain management of the *Internal Control Policy*, the Group highly emphasises mutual beneficial and open when conducting all aspects of its business with suppliers. Apart from the establishment of a fair and transparent supplier selection process, which the main consideration is on product and service quality, the Group has also exercised independent review and approval during procurement. As a premise of cooperation, suppliers are required to fully comply with all applicable laws and regulations, as well as the Group's requirements in terms of product and service standards, environmental and social performance, etc.. Any fraud, bribery or other practices violating business ethics in the supply chain is prohibited, to uphold the principle of compliance and objectivity.

To strengthen management and minimise potential risks, including environmental and social risks, the Group has conducted regular evaluation of suppliers' performance. Supplier with sub-standard performance is required to implement remedial measures for improvement. The Group will terminate business relationships with suppliers who failed to achieve its quality standards. To enhance its supply chain management and environmental performance, the Group is planning to improve its current policies in selecting suppliers and promote environmentally preferable products and services in procurement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

For FY2022, the Group cooperated with a total of 28 suppliers, who are mainly from Asia and US, providing services and products to the Group.

Number of suppliers		**2021/22**
By geographical region	China	**2**
	HK	**5**
	Singapore	**4**
	US	**12**
	Ireland	**2**
	Israel	**2**
	Switzerland	**1**
Total		**28**

EMPLOYMENT AND LABOUR PRACTICES

A competent talent team is the indispensable support to the success and long-term development of the Group, it considers its employees as valuable asset. It is the Group's objective to create an inclusive environment that embraces change, new ideas, respect for the individual, and equal opportunity to succeed for its employees. With comprehensive management of employment and labour practices, the Group works with its employees to pursue sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

As of 31 March 2022, the Group had a total of 112 employees in Hong Kong, which consisted of 66.96% of male and 33.04% of female, and all of them worked on a full-time basis in Hong Kong. As an additional workforce, it also had 1 worker employed. Employee profile of the Group are detailed below:

		2021/22	
Employee category		**Total number of employees**	**Percentage of total employee**
Gender	Male	75	66.96%
	Female	37	33.04%
Employment type	Full-time	112	100%
	Part-time	0	0%
Employment category	General employees	70	62.50%
	Middle management	38	33.93%
	Senior management	4	3.57%
Age group	29 years old or under	33	29.46%
	30–39 years old	41	36.61%
	40–49 years old	25	22.32%
	50 years old or above	13	11.61%
Total		112	

Safeguarding Employees' Rights and Interests

In management of human resources, the Group sustains the values of dignity and mutual respect, which drives its business development and sustainability. It endeavors to ensure its employment system could safeguard the rights and interests of employees, and has established internal management policies in the *Internal Control Policy* and *Employee Handbook*. Achieving compliant and effective management allows the Group to uphold the principles of voluntariness, equality and unanimity through the employment processes.

Before commencement of employment, all new employees will receive the latest copy of the *Employee Handbook* which a confirmation letter is required to be signed so as to assure explicit acknowledgement and commitment to all rules and obligations stated. In facilitation of thorough understanding, orientation will also be conducted to introduce company policies, code of conduct, as well as rules and regulations after onboarding.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Besides, the Human Resources Department is responsible for the management of employment-related issues. The Group has strictly complied with all relevant laws and regulations regarding employment and labour practices, including the *Sex Discrimination Ordinance, Family Status Discrimination Ordinance, Disability Discrimination Ordinance* and *Race Discrimination Ordinance*. The Group was not aware of any material cases of non-compliance with applicable laws and regulations.

The following sections highlight the Group's employment practices:

Recruitment and Dismissal

The Group has standardised procedures for recruitment and dismissal of employment. The principle of objectivity is applied throughout the procedures, biased or undue influence to override decision-making shall not be allowed.

Upon request for hiring, the Human Resources Department will identify and evaluate the needs for approval. With that, it will proceed to update and publish advertisement for recruiting candidates. Interview will then be arranged to assess and determine suitable candidates. There will also be a probationary period to observe and evaluate employees' performance.

If any employee consistently fails to perform the required standard and unable to make improvement after advice and warning given, the Group will terminate the employment. The employment may be terminated due to retirement and resignation. In any case of dismissal, a notice will be delivered to the employee after review and approval, relevant procedures will also be proceeded in accordance with the contract of employment and applicable laws and regulations.

Promotion and Transfer

The Group devotes effort to provide a pleasant working environment that encourages its employees to prompt career development and realise personal growth. It offers internal promotion to employees whenever possible. After reviewing individual record, Management, Department Heads, or Human Resources Department will recommend suitable candidates for promotion. An interview will be conducted for further assessment on candidates' abilities. Furthermore, internal transfer of employees to other department within the Group is possible as a result of manpower planning or application of individual employee.

Remuneration and Welfares

The Group implements performance-orientated management for compensation and welfares, to maintain market competitiveness and express gratitude to employees' effort. It offers remuneration packages according to position, performance of employee and the Group, covering basic salary, allowance and Mandatory Provident Fund (MPF) contribution. Bonuses, shares or share options, and other benefits may also be awarded to employees under specified conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

A comprehensive performance target system is developed to assess employees' working performance in a unified and regulatory way. The Group has assigned strategic and business targets to every position, together with periodical review of market benchmark, adjustment will be made on employee remuneration and welfares.

Working Hours and Rest Periods

To maintain a healthy and productive working environment, the Group regulates working hours and rest periods of its employees, which are clearly stated in the *Employee Handbook*. Flexible working time is allowed for employees to fulfill their duties in their normal working schedule. Meanwhile, apart from statutory holiday, employees are also entitled to annual leave, sick leave, marriage leave, maternity leave, paternity leave, birthday leave, jury service leave and compassionate leave. Special working schedule may also be arranged with notice.

Equal Opportunity, Diversity and Anti-discrimination

The Group maintains respect and fair treatment to all employees. Equal opportunity for employment is granted to all individuals, regardless of their race, religion, color, national origin, age, sex, sexual orientation, or disability. The fair treatment policy applies to all phases of the employment relationship, including hiring, assigning, promoting, and dismissing employees.

Believing diversity as the strength of the Group, it seeks to establish a diverse working environment at all levels to allow employees to develop and contribute their talents, skills, experience in achieving full potential. It also highly stresses respect to people and cultures within the Group and with whom it works.

To foster open, honest and courteous culture among employees, the Group has established the *Anti-Harassment Policy* with reference to local ordinances and regulations, and recommendations in the *Code of Practices* issued by the Equal Opportunities Commission. The policy clearly stated that it does not tolerate any type of discrimination, harassment, vilification and victimisation, including sexual, physical or mental forms. A grievance system is also established for preventing and addressing any unwelcome conduct or hostile environment. It ensures that there will be no reprisal against anyone raising concerns or complaints or taking action on related issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Employee Engagement and Well-being

To advocate healthy and harmonious development of the Group, it strives to promote employee engagement and well-being. By establishing an environment of clear, honest, and timely communication, the Group has created channels to understand employees' views and opinions. Not only does it protect their interest and guarantee their rights to know and participate, engagement also motivates employees' enthusiasm and creativity.

In FY2022, the Group organised various training and related activities to communicate and update employees on matters including business direction, human resources issues, case sharing, etc..

The Group encourages employees to achieve "happy life and work". Effort has been made to ensure a healthy work-life balance and foster the positive and optimistic attitude of employees in addressing challenges. A series of recreational activities were held for employees' spare time during the Reporting Period, such as Christmas Party, Edvance Soccer Cup, FY2022 Kick-off dinner and boat trip, so as to enhance cohesion and care among employees.

Development and Training

Regarding the fast-paced development of the industry, the Group concerns the career and personal development of its employees. Maintaining an efficient and effective workforce is considered crucial to its business, facilitating its competencies when encountering challenges and opportunities in the future.

As set out in the *Employee Handbook*, the Group has offered various opportunities for staff development. Appraisal is conducted at one per annum for evaluation. Apart from assessing employees' abilities and performance, it also serves as further reference for salary adjustment, special gratuity and promotion decisions.

The Group provides continuous training for employees to advance their skills and abilities. Depending on needs of different job functions, it tailors in-house training programs, topics varying from updates on rules and regulations, technical knowledge, management skills to customer service standards. It also offers on-job training such as coaching by supervisors, job rotation and shadowing, to ensure and promote employees' work quality.

Additionally, the Group supports employees to receive external training and provides training subsidies upon successful completion of the courses. For example, the ESH Training Sponsorship Scheme is an on-going policy implemented to incentivise employees to attend ESH certification programs. It aims to promote innovation of employees for improving clients' security posture. The Group has also revised the Scheme during FY2022 to encourage employees' participation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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During the Reporting Period, the Group has provided training to 113 personnels, including 112 employees and 1 intern, with an average training time of 7.87 hours received overall. Its employee training percentage is 100%. Relevant disclosures are as follows:

Employee category		2021/22 Number of employees trained	2021/22 Average training hours per employee
Gender	Male	75	7.86 hours
	Female	37	7.86 hours
Employment category	General employees	70	7.97 hours
	Middle management	38	7.70 hours
	Senior management	4	7.50 hours
Total		112	7.87 hours

Occupational Health and Safety

The Group does not compromise health and safety in the workplace for production or profit and places importance on addressing any safety and health concerns, violations or incidents.

For management, health and safety policies and procedure published are applicable at all working location, requiring all employees to follow the rules. A *Workstation Risk Assessment Checklist* is developed for conducting regular inspection, while files of health records are also set up to keep employees' health and safety in check.

The Group offers comprehensive protection on occupational health and safety to its employees. For new employees, health and safety guideline will be provided before commencement of the employment, and a related questionnaire is requested to be completed within 6 months. Periodically, internal OSH leaflets are distributed to enhance their awareness. First aid kits and medicines are also available in workplace in case of emergency situations. During the Reporting Year, the Group has introduced a new People Health Caring Program and refined its Group Medical Plan to enhance medical benefits and therefore strengthen its guarantee to employee's health and well-being.

In face of the continuous outbreak of COVID-19, the Group has been closely monitoring the pandemic situation and strictly abided with epidemic policies of local government. To combat the pandemic and ensure the health and safety of its employees, it has taken the following preventive measures:

- Implement work-from-home arrangement during the peak epidemic period;
- Require employees of confirmed case or close contact to undergo home quarantine under the "StayHomeSafe" Scheme;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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- Procure and distribute the Rapid Antigen Test (RAT) kits to all employees;
- Provide alcohol hand sanitisers and facial masks in all working locations;
- Require employees feeling unwell and/or having symptoms of COVID-19 to stay at home and seek for medical treatment;
- Require employees to undergo body temperature check and wear facial masks before entering the workplace;
- Encourage online meeting and social distancing to avoid unnecessary travel and in-person contact so as to minimise the risk of infection;
- Conduct regular cleaning and sanitization at all working areas, frequently touched surfaces and common facilities;
- Circulate latest news and health advice regarding COVID-19 pandemic prevention to update and remind employees.

There were no work-related injuries recorded in the past years. The Group has abided by the *Occupational Safety and Health Ordinance* and other applicable laws and regulations. In FY2022, the Group was not aware of any material cases of non-compliance with laws and regulations relating to occupational health and safety.

	2021/22	2020/21	2019/20
Cases of work-related injuries	**0**	0	0
Lost days due to work-related injuries	**0**	0	0
Cases of work-related fatalities	**0**	0	0

Labour Standards

The Group respects and protects human rights, it prohibits any engagement or tolerance of using child or forced labour in operation. Based on the principles of fairness, openness and willingness, the Group implements its employment system in alignment with local labour standards. For prevention, it adopts legal means when executing the recruitment processes, including meeting the minimum employment age. Detail terms and conditions of employment are listed in legal contracts of all positions to facilitate protection to employees' and the Group's interest.

In demonstration of its recognition to human right, the Group respects the freedom of individual employees to join legally authorised associations or organisations. It also supports human rights consistent with the UN Declaration of Human Rights. When trading or investing, it carefully considers countries which are governed by regimes that do not adhere to the UN Declaration.

The Group strictly adheres to the *Employment Ordinance* and other relevant laws and regulations. During the Reporting Period, the Group was not aware of any material cases of non-compliance with laws and regulations relating to child and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
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ENVIRONMENT PROTECTION

Despite the insignificant environment impact of its operation, the Group is aware of environmental problems including pollution and climate changes. As stated in its *Internal Control Policy*, it aims to minimise any harmful effects arisen to the environment by sustaining desirable and attainable environmental quality standards, and fully complying with relevant environmental laws and regulations. It also reinforced environmental awareness with measures to reduce resource consumption and carbon footprint. In the future, the Group will enhance its environmental performance and management by further incorporating sustainable development concepts into its business operation.

During the Reporting Period, the Company did not aware of any material breaches of laws and regulations relating to emissions, discharges, generation of hazardous and non-hazardous waste.

Use of Resources

The Group recognises its responsibility in reasonable resources usage and wastage minimisation for the sustainability of its business and the environment. It strives to manage the use of energy and resources in ways that are conducive to resource use efficiency. Through optimisation in energy consumption and resources usage and increase employees' awareness in environmental conservation, the Group will spend ongoing efforts to reduce its environmental footprint. For a more systematic plan to enhance energy use and water efficiency, it will also review its internal management approach and data collection process in facilitating target-setting.

Energy Consumption

Energy consumption of the Group mainly includes purchased electricity used for office operation and gasoline used for transportation by vehicles. To minimise energy usage, the Group has implemented its energy-saving management and enforced the following measures:

– Air-conditioning: maintaining an indoor temperature at an optimal level for comfort;

– Lighting: installing LED lighting systems in offices;

– Electronic appliances: reminding employees to turn off idle computer and monitors and encouraging the use of cloud computing for efficient use of electricity and hardware resources.

It will continue to assess and evaluate the efficiency of resource utilisation to enhance its management and practices for energy conservation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

In FY2022, the Group consumed 394,962 kWh of total energy with an intensity of 3,526 kWh per employee, which have significantly increased as compared to the consumption from the previous reporting year. The increase was mainly caused by the improvement of data coverage by including the consumption of gasoline, which was not covered in 2020/21's ESG Report. The following table illustrates the energy consumption and intensity of the Group during the Reporting Period:

Energy consumption	**2021/22**	2020/21	**Unit**
Purchased electricity	**248,408**	186,869	kWh
Gasoline	**146,554**	Not available	kWh
Total energy consumption	**394,962**	186,869	kWh
Total energy intensity	**3,526**	1,850	kWh/employee

Water Consumption

The Group consumed relatively low amount of water as its water usage are mainly for basic cleaning and sanitation. Whilst water supply facilities of the Group are provided by the rental premises, it concerns efficient water usage. Although it did not encounter any issue in sourcing water, the Group understands water is the precious but limited resources on earth. To avoid wasting water resources, it has educated employees on water-saving practices through reminders and promoted their awareness.

Water consumption of the Group during the Reporting Period are as follows:

Water consumption	**2021/22**	2020/21	**Unit**
Total water consumption	**99**	Not available	Cubic meter
Total water intensity	**0.89**	Not available	Cubic meter/ employee

Packaging Material Consumption

With regard to its business nature, operation of the Group did not involve critical consumption of packaging materials. The use of packaging material is not applicable and therefore no material data is available for disclosure.

Emissions Management

The Group mainly engages in the provision of cybersecurity products and services, as well as financial services and investment business, it generates limited air emissions and waste in its daily operation. With substantial consideration over environmental preservation, not only does the Group fully comply with applicable environmental laws and regulations, it is also dedicated to implement feasible measures and actions to manage and minimise emissions within its office operating boundaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Aiming to a balance between business development and environmental protection, the Group will continuously put efforts on improvement, for more comprehensive monitoring and management in its production of waste, air pollutants and greenhouse gases (GHG). In the future, it will also review and advance its data collection to supplement the development of waste and emission reduction targets for more pragmatic actions.

Waste

As an office-based business, used paper is the main type of solid waste generated from the Group, which is considered minimal to environmental pollution. To advocate green office, the Group continued to implement its waste reduction guidelines and procedures during FY2022:

- Reducing paper usage by:
    - Using double-sided printing
    - Re-using expired and one-sided documents for printing or as draft paper
    - Adopting a paperless working mode with electronic platforms and communication channels where possible, such as e-form system, e-leave, e-cards for festival greetings, etc.
- Increasing awareness by:
    - Sending internal emails to remind employee to follow green printing practices
- Reducing electronic waste by:
    - Recycling spent battery through specialist
    - Re-deploying computer or notebook within the Group where usable and suitable

The Group will conduct review on waste management and advance its data collection process, in hope to facilitate establishment of relevant measures and improve disclosure of related information for future report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

Greenhouse Gases ("GHG") and Air Pollutants

Major sources of emissions from the Group were originated from purchased electricity for daily office operation and fuel consumed by company vehicles. To limit its negative influence on air quality and climate change, the Group has implemented various measures so as to reduce emission and conserve energy. It will explore possible emission reduction measures consistently in effort to lessen its environmental burden.

In FY2022, the Group emitted 140,501 $kgCO_2e$ of GHG in total. For air pollutants, its emissions of NO_x, SO_x and PM amounted to 0.14 kg, 0.22 kg and 0.01 kg respectively.

Related emissions of the Group during the Reporting Period are summarised as below:

GHG emissions	**2021/22**	2020/21	**Unit**
Direct emissions (Scope 1)	**40,223**	Not available	$kgCO_2e$
Indirect emissions (Scope 2)	**100,278**	151,364	$kgCO_2e$
Total GHG emissions	**140,501**	151,364	$kgCO_2e$
Total GHG emission intensity	**1,254**	1,498	$kgCO_2e$/employee

Air pollutants	**2021/22**	2020/21	**Unit**
Nitrogen oxides (NO_x)	**0.14**	Not available	kg
Sulphur oxides (SO_x)	**0.22**	Not available	kg
Particulate matter (PM)	**0.01**	Not available	kg

Climate Change

As adverse environmental, social and economic impacts of climate change are becoming more prominent, the urging situation indicates that collective effort is required in facing the major global challenge. The Group also acknowledges that climate change indispensably represents impacts and dependence of its business, as well as the society and environment where it operates, which would affect its ESG performance.

From internal audit planning of the Year, its Audit Committee has identified climate change as an initial focus in future ESG governance. In hope to properly address climate-related risks and contribute to combating climate change in a timely manner, the Group is planning to develop appropriate policies in identifying and managing potential physical and transition risks or opportunities of climate change. It will then allow the Group to strengthen the effectiveness of its ESG governance and devise strategies for climate resilience and adaptability.

Meanwhile, the Group will continue to implement and improve its environmental policies and measures, aiming to minimise the environmental impacts in its operation and achieve sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

The Environment and Natural Resources

Despite business operation of the Group does not impose direct and significant threats to the environment and natural resources, it is committed to shoulder environmental responsibilities, improving its environmental performance continuously and contributing to natural conservation. With concerns over its emissions and use of resources, the Group regularly conducts assessment on environmental risks of our business, reviews its environmental practices. It also adopts preventive measures as necessary to mitigate substantive risks and ensures compliance with relevant laws and regulations to sustain environmentally-friendly business.

COMMUNITY INVESTMENT

The Group concerns its performance beyond mere profit-making and business growth, but also shouldering social responsibility. It is committed to make a positive contribution to the sustainable development of the communities where it operates. Through charitable and educational activities and contributions, it aims to create values for the communities. On top of that, it encourages active participation of employees in sponsorships and charitable support through direct donation or involvement in various community and charitable activities, so as to support those in need and dedicate to community development.

Despite the on-going epidemic outbreak, the Group organised a voluntary service event at Christmas. The "Having Fun at Colorful Christmas" (七彩聖誕齊齊玩) invited employees to visit local elderly center. In celebration of the festival, employees showed care and shared happiness with the elderly through games, performance and lucky draw.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

APPENDIX

Key Performance Indicators Summary

Environmental key performance indicators		2021/22	2020/21	Unit
Air Pollutants	Nitrogen oxides (NO_x)	**0.14**	Not available	kg
	Sulphur oxides (SO_x)	**0.22**	Not available	kg
	Particulate matter (PM)	**0.01**	Not available	kg
GHG Emissions	Direct emissions (Scope 1)	**40,223**	Not available	$kgCO_2e$
	Indirect emissions (Scope 2)	**100,278**	151,364	$kgCO_2e$
	Total GHG emissions	**140,501**	151,364	$kgCO_2e$
	Total GHG emission intensity	**1,254**	1,498	$kgCO_2e$/employee
Energy Consumption	Purchased electricity	**248,408**	186,869	kWh
	Gasoline	**146,554**	Not available	kWh
	Total energy consumption	**394,962**	186,869	kWh
	Total energy intensity	**3,526**	1,850	kWh/employee
Water Consumption	Total water consumption	**99**	Not available	m^3
	Water intensity (by employee)	**0.89**	Not available	m^3/employee

Social key performance indicators		2021/22
Number of Employees		
Gender	Male	**75**
	Female	**37**
Employment type	Full-time	**112**
	Part-time	**0**
Employment category	General employees	**70**
	Middle management	**38**
	Senior management	**4**
Age group	29 years old or under	**33**
	30–39 years old	**41**
	40–49 years old	**25**
	50 years old or above	**13**
Total		**112**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Social key performance indicators		2021/22
Employee Turnover Rate		
Gender	Male	20.00%
	Female	29.73%
Employment type	Full-time	23.21%
	Part-time	0%
Employment category	General employees	24.29%
	Middle management	23.68%
	Senior management	0%
Age group	29 years old or under	24.24%
	30–39 years old	24.39%
	40–49 years old	32.00%
	50 years old or above	0%
Total		23.21%
Health and Safety		
Work-related injuries	Employees	0
	Workers	0
Lost days due to work-related injuries	Employees	0
	Workers	0
Work-related fatalities for 3 consecutive years	Employees	0
	Workers	0
Number of Trained Employees		
Gender	Male	75
	Female	37
Employment category	General employees	70
	Middle management	38
	Senior management	4
Total		112
Average Training Hours		
Gender	Male	7.86 hours
	Female	7.86 hours
Employment category	General employees	7.97 hours
	Middle management	7.70 hours
	Senior management	7.50 hours
Total		7.87 hours
Number of Suppliers		
By geographical region	China	2
	HK	5
	Singapore	4
	US	12
	Ireland	2
	Israel	2
	Switzerland	1
Total		28

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

HKEx ESG Reporting Guide Content Index

Aspects	Description	Page/Remark
A: Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	63–65
A1.1	The types of emissions and respective emissions data.	66, 68
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	66, 68
A1.3	Total hazardous waste produced and intensity.	The issue is considered not material to the Group.
A1.4	Total non-hazardous waste produced and intensity.	The issue is considered not material to the Group.
A1.5	Description of emission target(s) set and steps taken to achieve them.	65–66
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	65

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Aspects	Description	Page/Remark
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	63–64
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	64, 68
A2.2	Water consumption in total and intensity.	64, 68
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	63
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	63–64
A2.5	Total packaging material used for finished products and per unit produced.	64
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	67
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	67
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	66
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	The Group is planning to develop relevant policies and procedures to identify and address the possible significant climate-related issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Aspects	Description	Page/Remark
B: Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	56–60
B1.1	Total workforce by gender, employment type, age group and geographical region.	57, 68
B1.2	Employee turnover rate by gender, age group and geographical region.	69
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	61–62
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	62, 69
B2.2	Lost days due to work injury.	62, 69
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	61–62

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

Aspects	Description	Page/Remark
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	60
B3.1	The percentage of employees trained by gender and employee category.	61, 69
B3.2	The average training hours completed per employee by gender and employee category.	61, 69
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	62
B4.1	Description of measures to review employment practices to avoid child and forced labour.	62
B4.2	Description of steps taken to eliminate such practices when discovered.	The issue is considered not material to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Aspects	Description	Page/Remark
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	55
B5.1	Number of suppliers by geographical region.	56, 69
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	55
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	55
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	55
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	52–54
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	52
B6.2	Number of products and service-related complaints received and how they are dealt with.	54
B6.3	Description of practices relating to observing and protecting intellectual property rights.	53
B6.4	Description of quality assurance process and recall procedures.	52, 54
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	52–53

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
(continued)

Aspects	Description	Page/Remark
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	54–55
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	55
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	54–55
B7.3	Description of anti-corruption training provided to directors and staff.	55
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	67
B8.1	Focus areas of contribution.	67
B8.2	Resources contributed to the focus area.	67

DIRECTORS' REPORT

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for FY2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the distribution of cybersecurity products and the provision of cybersecurity services in Hong Kong, Macau, the PRC and Singapore, and financial services and investment business.

BUSINESS REVIEW

A review of the business of the Group during FY2022 and a discussion on the Group's future business development, and also the Group's performance during FY2022 are set out in the "Management Discussion and Analysis" on pages 9 to 16 of this annual report.

REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue, assets and liabilities from reportable segment and by geographical locations is set out in note 7 of the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years ended 31 March 2018, 2019, 2020, 2021 and 2022, 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 FY2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 98 of this annual report.

The Board recommended not to declare a final dividend for FY2022, in order to maintaining sufficient liquidity for the Group's long-term development, in light of the ongoing of COVID-19 pandemic on the global economy and the recent uncertainties in the market (FY2021: HK$0.01 per Share).

DIRECTORS' REPORT (continued)

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in note 16 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 31 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Details of the activities of all of its subsidiaries as at 31 March 2022 are set out in the note 40 to the consolidated financial statements of this annual report.

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 41 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 2022, amounted to approximately HK$77,758,000 (2021: approximately HK$79,993,000). 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.

DIRECTORS' REPORT (continued)

REVIEW OF FINANCIAL INFORMATION

The AC comprises three independent non-executive Directors, namely, Mr. Jimmy Ng (chairman of the AC), 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 FY2022.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2022, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 18.8% and 49.7% (2021: approximately 13.1% and 44.0%) of the Group's total revenue for the year, respectively.

During FY2022, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 30.1% and 75.9% (2021: approximately 32.5% and 75.1%) 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' REPORT (continued)

DIRECTORS

The Directors during FY2022 and up to the date of this annual report were as follows:

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

Non-executive Directors
Mr. Lo Wai Ho Ashley
Dr. Tang Sing Hing Kenny
(Resigned on 31 May 2021)

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

Pursuant to Article 108 of the Articles, one-third of the Directors will retire by rotation at each annual general meeting of the Company. Under Article 108, Mr. Lam Tak Ling, Mr. Ng Tsz Fung Jimmy and Mr. Yu Kwok Chun Raymond will retire and be eligible to offer themselves for re-election at the 2022 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 17 to 23 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, 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.

DIRECTORS' REPORT (continued)

All of the Directors' service contracts entered between the Company and the Directors has been reviewed and ratified by the NC. None of the Directors being proposed for re-election at the 2022 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors 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 13 to the consolidated financial statements of this annual report.

The Group has adopted share award scheme and share option scheme as an incentive to eligible employees, details of the share award scheme and share option scheme of the Group are set out in notes 38(i) and 38(ii) to the consolidated financial statements of this annual report, respectively.

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 13 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

During FY2022, 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 on page 83 in this annual report and note 35 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 FY2022 or at any time during the FY2022.

DIRECTORS' REPORT (continued)

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

As at 31 March 2022, 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 ("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	Number of underlying Shares held	Approximate percentage of shareholding[1]
Mr. Raymond Liu[2]	Interest of a controlled corporation	570,000,000	–	56.34%
	Beneficial owner[6]	–	5,500,000	0.54%
				56.88%
Mr. Ashley Lo[2]	Interest of a controlled corporation	570,000,000	–	56.34%
Mr. Von John[3]	Interest of a controlled corporation	60,000,000	–	5.93%
Mr. Francis Lee[4]	Interest of a controlled corporation	22,500,000	–	2.22%
Mr. Lam Tak Ling[5]	Interest of a controlled corporation	22,500,000	–	2.22%

Notes:

(1) The percentage has been complied based on the total number of ordinary shares of the Company in issue (1,011,666,000 Shares) as at 31 March 2022.

(2) This represents the Shares held by Success Vision International Group Limited ("Success Vision"), a company that is beneficially owned as to 82.50% by Mr. Raymond Liu and 17.50% 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 Pioneer Marvel Limited, a company was wholly-owned by Mr. Francis Lee and therefore, he was deemed to be interested in the 22,500,000 Shares under the SFO.

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

(6) On 21 April 2021, the Company granted a total of 5,500,000 Share Options to Mr. Raymond Liu under the Share Option Scheme.

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 2022 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 FY2022 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 2022 and up to the date of this annual report, the following persons (other than Directors or chief executive of the Company), who had interests in the shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company, were as follows:

Long Positions

Name	Capacity/Nature of Interest	Number of underlying Shares held	Approximate percentage of Shareholding[8]
Success Vision[1]	Beneficial owner	570,000,000	56.34%
Ms. Cheng Chui Ying[2]	Interest of spouse	575,500,000	56.88%
Ms. Lin Fai[3]	Interest of spouse	570,000,000	56.34%
Mind Bright[4]	Beneficial owner	60,000,000	5.93%
Ms. Cheung Mo Chi[5]	Interest of spouse	60,000,000	5.93%

DIRECTORS' REPORT (continued)

Notes:

(1) Success Vision was beneficially owned as to 82.50% by Mr. Raymond Liu and 17.50% 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) 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.

(5) 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.

(6) The percentage has been complied based on the total number of ordinary shares of the Company in issue (1,011,666,000 Shares) as at 31 March 2022, and the date of this report.

Save as disclosed above, as at 31 March 2022 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 FY2022 are set out in note 35 to the consolidated financial statements and none of these transactions constituted connected transactions or continuing connected transaction under Chapter 14A 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.

DIRECTORS' REPORT (continued)

COMPETING INTERESTS

During FY2022 and up to the date of this annual report, the following then director of the Company had the following interests in business which competed or were likely to compete, either directly or indirectly, with the business of the Group as disclosed pursuant to Rule 8.10 of the Listing Rules:

Name of director	Name of entity which were considered to compete or likely compete with the business of the Group	Description of competing business	Nature of interests
Dr. Tang Sing Hing Kenny (Resigned on 31 May 2021)	Venture Smart Asia Limited	A corporation licensed by the SFC in Hong Kong to engage in Type 1 (dealing in securities), Type 4 (advising in securities) and Type 9 (asset management) regulated activities	Representative (starting from 30 April 2021)

As the above director cannot control the Board, the Group is therefore capable of carrying on its businesses independently, in addition, such director has resigned on 31 May 2021.

Save as disclosed above, the Directors are not aware of any business and interest of the Directors that competed or might compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group during FY2022 and up to the date of this annual report.

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 AWARD SCHEME

The Company had adopted the share award scheme on 1 September 2020 ("Share Award Scheme"), under which any individual being an eligible employee, officer, agent or consultant of the Company or any subsidiary of the Company or any other person (including professional advisers and suppliers of the Group as selected by the Board (excluding connected persons under the Listing Rules) were entitled to participated to the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of 10 years commencing from 1 September 2020.

The purposes of the Share Award Scheme are: (i) to provide certain participant with an opportunity to acquire a proprietary interest in the Company; (ii) to recognise the contributions by certain participant and give incentives thereto in order to retain them for the continual operation and development of the Group; (iii) to attract suitable personnel to work with the Group; and (iv) to provide additional incentive for them to achieve long term performance goals and development.

Details of the Share Award Scheme are set out in the announcement of the Company dated 1 September 2020.

During FY2022, an aggregate of 4,820,000 shares of the Company were unconditionally awarded to three professional advisers of the Group and one selected employee on 3 September 2020 ("Awarded Shares") and the Awarded Shares were allotted and issued to them on 31 March 2022 in accordance with the rules of the Share Award Scheme. Therefore, the Group recognised a total expense of approximately HK$3,471,000 in relation to the Award Shares. Further details of the allotment and issue of the Awarded Shares are set out in the announcement of the Company dated 16 February 2022 and 16 March 2022.

DIRECTORS' REPORT (continued)

SHARE OPTION SCHEME

On 23 March 2017, the Company had conditionally approved and adopted the share option scheme ("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, supplies, 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 proceeding 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 38(ii) to the consolidated financial statements.

DIRECTORS' REPORT (continued)

Details of the movements of share options of the Company ("Share Options") granted, exercised or cancelled/lapsed during FY2022 and outstanding as at 31 March 2022 are as follows:

Share Options Movement Summary

For the year ended	Grantee	Date of grant of Share Options	Exercise price of Share Options HK$	Exercise period (both dates inclusive)	As at 1 April 2021	Grant during the year	Exercise during the year	Lapsed during the year	Outstanding at 31 March 2022
31 March 2022	Mr. Raymond Liu (Note)	21 April 2021	0.582	21 April 2022 to 22 March 2027	–	2,200,000	–	–	2,200,000
		21 April 2021	0.582	21 April 2023 to 22 March 2027	–	1,650,000	–	–	1,650,000
		21 April 2021	0.582	21 April 2024 to 22 March 2027	–	1,650,000	–	–	1,650,000
Total for Director					**–**	**5,500,000**	**–**	**–**	**5,500,000**
31 March 2022	Employees	7 July 2017	0.65	7 July 2018 to 6 July 2023	3,200,000	–	(760,000)	(220,000)	2,220,000
		7 July 2017	0.65	7 July 2019 to 6 July 2024	3,093,000	–	(570,000)	(426,000)	2,097,000
		7 July 2017	0.65	7 July 2020 to 6 July 2025	3,093,000	–	(570,000)	(426,000)	2,097,000
Sub-total					9,386,000	–	(1,900,000)	(1,072,000)	6,414,000

Note: The reason for the grant to Mr. Raymond Liu was to reward him for the progressive growth of the Group. The Remuneration Committee is of the view that such grant will incentivise Mr. Raymond Liu to continue to lead the Group for a sustainable growth after consideration of compensation packages of other executives in the market where we operate with similar role and responsibilities.

DIRECTORS' REPORT (continued)

For the year ended	Grantee	Date of grant of Share Options	Exercise price of Share Options HK$	Exercise period (both dates inclusive)	As at 1 April 2021	Grant during the year	Exercise during the year	Lapsed during the year	Outstanding at 31 March 2022
31 March 2022	Employees	21 April 2021	0.582	21 April 2022 to 22 March 2027	–	3,800,000	–	(596,000)	3,204,000
		21 April 2021	0.582	21 April 2023 to 22 March 2027	–	2,850,000	–	(447,000)	2,403,000
		21 April 2021	0.582	21 April 2024 to 22 March 2027	–	2,850,000	–	(447,000)	2,403,000
Sub-total					–	9,500,000	–	(1,490,000)	8,010,000
Total for employees					**9,386,000**	**9,500,000**	**(1,900,000)**	**(2,562,000)**	**14,424,000**
Total					**9,386,000**	**15,000,000**	**(1,900,000)**	**(2,562,000)**	**19,924,000**

During FY2022, there was 1,900,000 new Shares issued by the Company in respect of the Share Options.

As at the date of this report, the total number of Shares still available for issue under the Share Option Schemes shall be 19,924,000 Shares, representing approximately 1.97% of the Company's issued share capital as at such date.

Saved as disclosed above, 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 Award Scheme and 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 FY2022 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 pursuant to Rule 13.35 of 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 24 to 45 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 46 to 75 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 FY2022 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 then prevailing 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 cybersecurity 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 cybersecurity products provided by our vendors is not under our control. If the cybersecurity 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 cybersecurity solutions is generally project-based and any decrease in the number of projects and/or demand of cybersecurity solutions would affect our operations and financial results;

– we may encounter cost overruns or delays in the completion of our cybersecurity 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 cybersecurity 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 2022 AGM will be held on Tuesday, 9 August 2022. The register of members of the Company will be closed from Wednesday, 3 August 2022 to Tuesday, 9 August 2022, both dates inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the 2022 AGM. In order to be eligible to attend and to vote at the 2022 AGM, 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 Tuesday, 2 August 2022.

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 AC has reviewed with the management of the Group's accounting principles, practices adopted by the Group and discussed auditing, accounting policies and practices internal control and financial reporting matters including the review of the audited consolidated financial statements for FY2022. The AC had reviewed the management letter 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.

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.

DIRECTORS' REPORT (continued)

AUDITOR

The consolidated financial statements for FY2022 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company, who will retire at the conclusion of the 2022 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 2022 AGM.

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

Hong Kong, 22 June 2022

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 98 to 216, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, 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 judgement, 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

Acquisition of Silverstone Networks Limited and its subsidiaries ("Silverstone Group") and Maldun Security Limited ("Maldun")

We identified the acquisition of Silverstone Group and Maldun as a key audit matter due to the significant degree of judgement and estimates made by the management of the Group in the purchase price allocation process and the determination of the fair value of assets acquired and liabilities assumed.

As disclosed in note 30 to the consolidated financial statements, the Group completed the acquisition of entire equity interest of Silverstone Group and Maldun on 29 October 2021 and 18 February 2022, respectively at a consideration of HK$5,000,000 and HK$24,000,000, respectively.

The purchase price allocation process and the determination of fair value of assets acquired and liabilities assumed were measured by an independent professional valuer by using discounted cash flow model. The selection of valuation techniques and significant unobservable inputs used in the valuation techniques are disclosed in note 30 to the consolidated financial statements.

Our procedures in relation to acquisition of Silverstone Group and Maldun included:

- Examining the acquisition agreement and evaluating management's accounting treatment for the acquisition in terms of HKFRS 3 "Business Combinations";

- Understanding the key controls of the Group over the purchase price allocation process and measurement of fair value of assets acquired and liabilities assumed;

- Evaluating the reasonableness of the purchase price allocation process and fair value measurement on assets acquired and liabilities assumed, together with our internal valuation specialists; by:

  (i) Evaluating the competence, capabilities, and objectivity of the independent professional valuers of the Group and obtaining understanding of the valuers' scope of work and their terms of engagement; and

  (ii) Evaluating the appropriateness of the valuation methodologies used and significant unobservable inputs by independently checking to external market data;

- Assessing whether the disclosures in the consolidated financial statements are sufficient and appropriate.

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.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

- 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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, actions taken to eliminate threats or safeguards applied.

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 Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Revenue	6	**525,383**	410,505
Cost of sales or services		**(396,976)**	(286,492)
Gross profit		**128,407**	124,013
Other income	8	**1,010**	886
Other gains and losses, net	9	**17,833**	1,176
Distribution and selling expenses		**(39,040)**	(27,688)
Administrative and other expenses		**(81,924)**	(53,421)
Net impairment losses under expected credit loss model		**(185)**	(437)
Finance costs	10	**(1,965)**	(1,347)
Profit before taxation		**24,136**	43,182
Taxation	11	**(3,074)**	(8,925)
Profit for the year	12	**21,062**	34,257
Other comprehensive income (expense) for the year:			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of intangible assets		**629**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(328)**	129
Total comprehensive income for the year		**21,363**	34,386
Profit (loss) for the year attributable to:			
Owners of the Company		**22,789**	34,739
Non-controlling interests		**(1,727)**	(482)
		21,062	34,257
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**23,090**	34,868
Non-controlling interests		**(1,727)**	(482)
		21,363	34,386
Earnings per share (HK cents)	15		
– basic and diluted		**2.27**	3.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property and equipment	16	**86,152**	56,173
Deposits paid for acquisition of property and equipment		**–**	3,941
Goodwill	17	**3,216**	3,216
Intangible assets	18	**40,264**	6,228
Financial assets at fair value through profit or loss ("FVTPL")	19	**37,854**	23,264
Deferred tax assets	20	**4,231**	710
Prepayments and deposits	22	**89,580**	51,140
		261,297	144,672
Current assets			
Inventories	23	**13,830**	4,832
Loan receivable	24	**4,666**	4,791
Trade and other receivables, prepayments and deposits	22	**200,008**	139,155
Tax recoverable		**18**	21
Contract assets	21	**6,992**	4,996
Financial assets at FVTPL	19	**4,406**	13,021
Bank balances and cash	25	**49,126**	73,383
		279,046	240,199
Current liabilities			
Trade and other payables and accruals	26	**70,717**	39,930
Lease liabilities	27	**6,855**	8,005
Contract liabilities	28	**134,208**	106,762
Bank borrowings	29	**37,021**	2,491
Tax liabilities		**1,854**	4,937
		250,655	162,125
Net current assets		**28,391**	78,074
Total assets less current liabilities		**289,688**	222,746

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Lease liabilities	27	**8,843**	10,236
Contract liabilities	28	**90,835**	47,595
Bank borrowings	29	**18,756**	19,711
Deferred tax liabilities	20	**6,643**	1,028
		125,077	78,570
Net assets		**164,611**	144,176
Capital and reserves			
Share capital	31	**10,117**	10,049
Reserves		**149,903**	129,809
Equity attributable to owners of the Company		**160,020**	139,858
Non-controlling interests		**4,591**	4,318
Total equity		**164,611**	144,176

The consolidated financial statements on pages 98 to 216 were approved and authorised for issue by the board of directors on 22 June 2022 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 2022

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (note)	Share option reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2020	10,014	63,805	3,633	2,732	–	(391)	33,121	112,914	–	112,914
Profit (loss) for the year	–	–	–	–	–	–	34,739	34,739	(482)	34,257
Other comprehensive income for the year	–	–	–	–	–	129	–	129	–	129
Total comprehensive income (expense) for the year	–	–	–	–	–	129	34,739	34,868	(482)	34,386
Acquisition of a subsidiary (note 30)	–	–	–	–	–	–	–	–	4,800	4,800
Transfer to accumulated profits upon forfeiture of share options	–	–	–	(151)	–	–	151	–	–	–
Dividends paid	–	–	–	–	–	–	(10,015)	(10,015)	–	(10,015)
Issue of new shares under share award scheme (note 31)	35	1,995	–	–	–	–	–	2,030	–	2,030
Transaction cost attributable to issue of new shares (note 31)	–	(2)	–	–	–	–	–	(2)	–	(2)
Recognition of share options granted	–	–	–	63	–	–	–	63	–	63
At 31 March 2021	10,049	65,798	3,633	2,644	–	(262)	57,996	139,858	4,318	144,176
Profit (loss) for the year	–	–	–	–	–	–	22,789	22,789	(1,727)	21,062
Other comprehensive income (expense) for the year	–	–	–	–	629	(328)	–	301	–	301
Total comprehensive income (expense) for the year	–	–	–	–	629	(328)	22,789	23,090	(1,727)	21,363
Transfer to accumulated profits upon forfeiture of share options	–	–	–	(292)	–	–	292	–	–	–
Disposal of intangible assets	–	–	–	–	(629)	–	629	–	–	–
Dividends paid	–	–	–	–	–	–	(10,049)	(10,049)	–	(10,049)
Issue of shares upon exercise of share options (note 31)	19	1,722	–	(506)	–	–	–	1,235	–	1,235
Issue of new shares under share award scheme (note 31)	49	3,422	–	–	–	–	–	3,471	–	3,471
Recognition of share options granted	–	–	–	2,415	–	–	–	2,415	–	2,415
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	2,000	2,000
At 31 March 2022	10,117	70,942	3,633	4,261	–	(590)	71,657	160,020	4,591	164,611

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 Edvance Group Limited (formerly known as 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 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	24,136	43,182
Adjustments for:		
Finance costs	1,965	1,347
Net impairment losses under expected credit loss model	185	437
Interest income	(840)	(781)
Depreciation	15,043	11,451
Amortisation of intangible assets	385	–
Share-based payments	5,886	2,093
Allowance for inventories	1,794	2,338
Net gain on disposal of property and equipment	(2,578)	(21)
Operating cash flows before movements in working capital	45,976	60,046
(Increase) decrease in inventories	(10,792)	1,225
(Increase) decrease in trade and other receivables, prepayment and deposits	(97,701)	10,616
Increase in contract assets	(2,009)	(234)
Increase in financial assets at FVTPL	(5,975)	(36,285)
Increase (decrease) in trade and other payables and accruals	29,577	(12,254)
Increase in contract liabilities	70,617	20,198
Net cash generated from operations	29,693	43,312
Income tax paid	(9,742)	(8,388)
NET CASH FROM OPERATING ACTIVITIES	19,951	34,924

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Interest received		**308**	93
Purchase of property and equipment		**(35,789)**	(4,978)
Proceed from disposal of property and equipment		**2,510**	21
Purchase of intangible assets		**(12,402)**	–
Proceeds from disposal of intangible assets		**13,026**	–
Deposits paid for acquisition of property and equipment		**–**	(3,941)
Advance of loan receivable		**–**	(5,000)
Net cash outflow on acquisition of Wepro180 Group (defined in note 30)	30	**–**	(3,217)
Net cash inflow on acquisition of AGFG Group (defined in note 30)	30	**–**	203
Net cash outflow on acquisition of Maldun (defined in note 30)	30	**(23,861)**	–
Net cash outflow on acquisition of Silverstone Group (defined in note 30)	30	**(4,753)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(60,961)**	(16,819)
FINANCING ACTIVITIES			
Dividends paid		**(10,049)**	(10,015)
Payments of lease liabilities		**(7,528)**	(5,972)
New bank borrowings raised		**98,355**	–
Repayment of bank borrowings		**(64,951)**	(942)
Interest paid		**(1,965)**	(1,347)
Capital contribution from non-controlling interests		**2,000**	–
Proceeds from issue of shares		**1,235**	–
Transaction cost attributable to issue of new shares		**–**	(2)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**17,097**	(18,278)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(23,913)**	(173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**73,383**	73,559
Effect of exchange rate changes		**(344)**	(3)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**49,126**	73,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 Main Board of The Stock Exchange of Hong Kong Limited. Its ultimate and immediate holding company is Success Vision International Group Limited, which was incorporated in the British Virgin Islands ("BVI").

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 Company acts as an investment holding company. The principal activities of principal subsidiaries of the Company are described in note 40.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the 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 2022

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

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures" ("HKFRS 7").

As at 1 April 2021, the Group has several bank borrowings with carrying amount of approximately HK$20,949,000, the interests of which are indexed to Singapore Interbank Offered Rate ("SIBOR") that will or may be subject to interest rate benchmark reform. During the year, such bank borrowings have been transitioned to the relevant alternative benchmark rates. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 34.

2.2 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

2. APPLICATION OF 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 and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretations 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs 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 consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

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

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

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 "Business Combinations" so that it refers to the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") instead of "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting 2010" issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

2. APPLICATION OF 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 HKFRS Practice Statement 2 "Disclosure of Accounting Policies" (continued)

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK$15,166,000 and HK$15,698,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and intangible assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out in note 4.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting issued in October 2010").

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

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.

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 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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.

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.

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.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Equity-settled share-based payment transactions

Share options/share award granted to employees

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

For share options granted to employees, 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. For shares that vest immediately at the date of grant, the fair value of the shares is expensed immediately to profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment are tangible assets that are held for supply of goods or services, or 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 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at revalued amounts, being their fair value at the date of the revaluation.

Any revaluation increase arising from revaluation of intangible assets is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an intangible asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets other than goodwill 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). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets and intangible assets other than goodwill 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (continued)

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 a 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 a 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 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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.

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. 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 ("FVTPL")) 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 FVTPL 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 collect 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.

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

- 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.

All other financial assets are subsequently measured at FVTPL, except that at 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Amortised cost and interest income

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

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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 loan receivable, trade and other receivables and deposits and bank balances) and contract assets which are subject to impairment assessment 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 2022

4. 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. Credit-impaired trade receivables and 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, in which case 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 2022

4. 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 2022

4. 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 2022

4. 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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. 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)

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loan receivable, 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 2022

4. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Fair value measurement of unlisted equity investment

As at 31 March 2022, unlisted equity investment amounting to approximately HK$37,854,000 are measured at fair value with level 3 fair value measurement being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 34 for further disclosures.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is based on value in use calculation. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 March 2022, the carrying amount of goodwill is approximately HK$3,216,000 (2021: HK$3,216,000). Details of the recoverable amount calculation are disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trading rights

As at 31 March 2022, the carrying amount of trading rights with indefinite life subject to annual impairment assessment was approximately HK$6,228,000 (2021: HK$6,228,000). In determining whether the trading rights are impaired, the Group has to exercise judgement and make estimation on whether the carrying value of trading rights can be supported by the recoverable amount, which is based on its value in use (2021: fair value less costs of disposal). Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the recoverable amount. See note 18 for further disclosures.

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 estimated costs necessary to make the sale. Allowance is recognised if the net realisable value is estimated to be below the cost.

Allowance for inventories of approximately HK$1,794,000 (2021: HK$2,338,000) was recognised for the year ended 31 March 2022. The carrying amount of inventories are approximately HK$13,830,000 (2021: HK$4,832,000) as at 31 March 2022.

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 that is reasonable and supportable available without undue costs or effort. The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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 34. The carrying amounts of trade receivables and contract assets are approximately HK$98,516,000 (2021: HK$67,728,000) and HK$6,992,000 (2021: HK$4,996,000), respectively as at 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

6. 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:

	2022 **HK$'000**	2021 HK$'000
Types of goods or services:		
Cybersecurity products business*		
– procurement of network security products, system security products and application and data security products	**295,207**	219,228
Cybersecurity services business*		
– provision of technical implementation services	**39,320**	34,489
– provision of maintenance and support services	**190,766**	156,683
	230,086	191,172
Financial services and investment business*		
– provision of financial services	**90**	105
	525,383	410,505

* The segment names are defined in the section "Segment information" in note 7.

	2022 **HK$'000**	2021 HK$'000
Timing of revenue recognition:		
Over time	**230,176**	191,277
A point in time	**295,207**	219,228
	525,383	410,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

6. 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 2022

6. REVENUE (continued)

Revenue from goods and services (continued)

Performance obligations for contracts with customers (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.

Revenue from provision of financial services

The Group provide financial services to the 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 throughout the service period stated on contract or service over a short period of time for some one-off financial services. The normal payment term is 0 to 60 days upon the issuance of invoices to the customers.

The Group generally 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

6. REVENUE (continued)

Revenue from goods and services (continued)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022 and 2021 and the expected timing of recognising revenue are as follows:

	Maintenance and support services	
	2022 HK$'000	2021 HK$'000
Within one year	**131,142**	100,561
More than one year but not more than two years	**47,523**	29,338
More than two years	**43,312**	18,257
	221,977	148,156

All the Group's other contracts with customers for procurement of network security products, system security products and application and data security products, provision of technical implementation services and provision of financial 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 2022 and 2021 is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. 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 segments are therefore as follows:

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

(2) Cybersecurity services business refers to the provision of technical implementation and maintenance and support services to customers by the Group; and

(3) Financial services and investment business refers to the provision of financial services to customers, venture investment and securities trading by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

	Cybersecurity products business HK$'000	Cybersecurity services business HK$'000	Financial services and investment business HK$'000	Total HK$'000
For the year ended 31 March 2022				
Segment revenue	295,207	230,086	90	525,383
Segment results	55,815	72,057	3,476	131,348
Other income				1,010
Unallocated other gains and losses, net				3,201
Unallocated distribution and selling expenses				(37,409)
Unallocated administrative and other expenses				(71,924)
Impairment losses recognised on loan receivable				(125)
Finance costs				(1,965)
Profit before taxation				24,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Cybersecurity products business HK$'000	Cybersecurity services business HK$'000	Financial services and investment business HK$'000	Total HK$'000
For the year ended 31 March 2021				
Segment revenue	219,228	191,172	105	410,505
Segment results	63,446	60,427	(1,454)	122,419
Other income				886
Unallocated other gains and losses, net				(215)
Unallocated distribution and selling expenses				(26,985)
Unallocated administrative and other expenses				(51,276)
Impairment losses recognised on loan receivable				(300)
Finance costs				(1,347)
Profit before taxation				43,182

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by/loss from each segment without allocation of other income, certain other gains and losses, net, certain distribution and selling expenses, certain administrative and other expenses, impairment losses recognised on loan receivable, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2022 HK$'000	2021 HK$'000
Segment assets		
Cybersecurity products business	**141,862**	74,335
Cybersecurity services business	**200,519**	107,976
Financial services and investment business	**50,176**	42,578
Unallocated assets	**147,786**	159,982
Consolidated assets	**540,343**	384,871

	2022 HK$'000	2021 HK$'000
Segment liabilities		
Cybersecurity products business	**64,629**	38,162
Cybersecurity services business	**223,933**	153,062
Financial services and investment business	**338**	317
Unallocated liabilities	**86,832**	49,154
Consolidated liabilities	**375,732**	240,695

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than property and equipment, deposits paid for acquisition of property and equipment, goodwill, deferred tax assets, certain other receivables, prepayments and deposits, loan receivable, tax recoverable and bank balances and cash.

- all liabilities are allocated to reportable segments other than certain other payables and accruals, bank borrowings, lease liabilities, tax liabilities and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 March 2022

	Cybersecurity products business HK$'000	Cybersecurity services business HK$'000	Financial services and investment business HK$'000	Total reportable segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	–	34,416	12,402	46,818	48,997	95,815
Depreciation	–	–	–	–	15,043	15,043
Amortisation of intangible assets	–	385	–	385	–	385
Net impairment losses on trade receivables	47	–	–	47	–	47
Net impairment losses on contract assets	–	13	–	13	–	13
Impairment losses on loan receivable	–	–	–	–	125	125
Net gain on disposal of property and equipment	–	–	–	–	(2,578)	(2,578)
Gain on fair value changes of financial assets at FVTPL	–	–	(14,632)	(14,632)	–	(14,632)
Write-down of inventories	1,794	–	–	1,794	–	1,794

Note: Additions to non-current assets included property and equipment, goodwill and intangible assets (included approximately HK$34,416,000 (2021: HK$9,524,000) arising from acquisition of subsidiaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 March 2021

	Cybersecurity products business HK$'000	Cybersecurity services business HK$'000	Financial services and investment business HK$'000	Total reportable segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	–	–	6,228	6,228	21,145	27,373
Depreciation	–	–	–	–	11,451	11,451
Net impairment losses on trade receivables	117	–	–	117	–	117
Net impairment losses on contract assets	–	20	–	20	–	20
Impairment losses on loan receivable	–	–	–	–	300	300
Gain on disposal of property and equipment	–	–	–	–	(21)	(21)
Gain on fair value change of financial assets at FVTPL	–	–	(1,391)	(1,391)	–	(1,391)
Write-down of inventories	2,338	–	–	2,338	–	2,338

Note: Additions to non-current assets included property and equipment, goodwill and intangible assets (included approximately HK$34,416,000 (2021: HK$9,524,000) arising from acquisition of subsidiaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. 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.

	2022 HK$'000	2021 HK$'000
Hong Kong	**482,481**	358,644
Macau	**19,587**	23,500
Mongolian People's Republic ("Mongolia") (note)	**5,881**	6,451
The PRC (excluding Hong Kong and Macau)	**13,407**	16,790
Singapore	**4,027**	5,120
	525,383	410,505

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 financial assets, deferred tax assets and deposits for life insurance contracts) which is presented based on geographical location of the assets, is as follows:

	2022 HK$'000	2021 HK$'000
Hong Kong	**169,835**	70,681
The PRC (excluding Hong Kong and Macau)	**133**	239
Macau	**905**	1,526
Singapore	**30,100**	31,241
	200,973	103,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

7. 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:

	2022 HK$'000	2021 HK$'000
Customer A[1]	98,631	53,888
Customer B[1]	78,889	52,535

[1] Revenue derived from Cybersecurity products business and Cybersecurity services business.

8. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Bank interest income	8	93
Interest income from deposits for life insurance contracts	489	499
Interest income from rental deposits	43	98
Interest income from loan receivable	300	91
Others	170	105
	1,010	886

9. OTHER GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Net foreign exchange gain (loss)	623	(236)
Net gain on disposal of property and equipment	2,578	21
Gain on fair value changes of financial assets at FVTPL	14,632	1,391
	17,833	1,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

10. FINANCE COSTS

	2022 **HK$'000**	2021 HK$'000
Interest on bank borrowings	**1,009**	553
Interest on lease liabilities	**956**	794
	1,965	1,347

11. TAXATION

	2022 **HK$'000**	2021 HK$'000
Current tax:		
Hong Kong Profits Tax	**6,699**	9,441
PRC Enterprise Income Tax ("EIT")	**167**	–
Macau Complementary Tax	**–**	269
	6,866	9,710
Overprovision in respect of prior year:		
Hong Kong Profits Tax	**(207)**	(75)
Deferred tax credit (note 20)	**(3,585)**	(710)
	3,074	8,925

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 the year ended 31 March 2022. No provision of PRC EIT was made for the year ended 31 March 2021 as the subsidiaries in the PRC have incurred tax losses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

11. TAXATION (continued)

No provision of Macau Complementary Tax was made for the year ended 31 March 2022 as the subsidiary in Macau has incurred tax losses. Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year ended 31 March 2021.

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:

	2022 **HK$'000**	2021 HK$'000
Profit before taxation	**24,136**	43,182
Taxation at Hong Kong Profits Tax rate of 16.5%	**3,982**	7,125
Tax effect of income not taxable for tax purposes	**(3,047)**	(865)
Tax effect of expenses not deductible for tax purposes	**1,079**	394
Effect of different tax rates of subsidiaries operating in other jurisdictions	**57**	(101)
Tax effect of tax losses not recognised	**3,548**	2,988
Utilisation of deductible temporary differences previously not recognised	**(148)**	(493)
Tax effect of recognition of tax losses previously not recognised	**(1,826)**	–
Overprovision in prior year	**(207)**	(75)
Tax effect of two-tiered tax rate	**(165)**	(165)
Others	**(199)**	117
Taxation for the year	**3,074**	8,925

At 31 March 2022, the Group had estimated unused tax losses of approximately HK$69,582,000 (2021: HK$36,940,000) to offset against future profits which can be carried forward indefinitely. A deferred tax assets of approximately HK$23,206,000 (2021: HK$1,002,000) has been recognised in respect of the estimated tax losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of approximately HK$46,376,000 (2021: HK$35,938,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

12. PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs*:		
Directors' remuneration (note 13)	**13,380**	11,501
Other staff:		
Other staff costs	**75,802**	52,775
Equity-settled share-based expense	**4,850**	2,093
Contributions to retirement benefits schemes	**3,772**	2,596
	97,804	68,965
Auditor's remuneration	**1,678**	1,440
Cost of inventories recognised as an expense (including the allowance for inventories of approximately HK$1,794,000 (2021: HK$2,338,000))	**239,345**	155,665
Depreciation of right-of-use assets	**7,823**	6,757
Depreciation of other property and equipment	**7,220**	4,694
Depreciation of property and equipment	**15,043**	11,451
Amortisation of intangible assets	**385**	–
Net impairment losses on trade receivables	**47**	117
Net impairment losses on contract assets	**13**	20
Impairment losses on loan receivable	**125**	300
Net impairment losses under ECL model	**185**	437

* For the year ended 31 March 2021, COVID-19 related government grants/assistance amounted to approximately HK$4,562,000 have been offset against other staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Equity settled share-based expense HK$'000	Performance related bonuses HK$'000 (note (i))	Retirement benefit schemes contributions HK$'000	Total HK$'000
For the year ended 31 March 2022						
Executive directors						
Mr. Liu Yui Ting Raymond ("**Mr. Raymond Liu**")	–	2,340	1,036	780	78	4,234
Mr. Lee Sung Kei Francis	–	1,632	–	1,124	78	2,834
Mr. Lam Tak Ling	–	1,608	–	536	78	2,222
Mr. Von John	–	1,429	–	461	32	1,922
Non-executive directors						
Dr. Tang Sing Hing Kenny (note (ii))	40	–	–	58	2	100
Mr. Ashley Lo	360	960	–	10	18	1,348
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	180	–	–	–	–	180
	1,120	7,969	1,036	2,969	286	13,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Performance related bonuses HK$'000 (note (i))	Retirement benefit schemes contributions HK$'000	Total HK$'000
For the year ended 31 March 2021					
Executive directors					
Mr. Liu Yui Ting Raymond	–	2,160	720	78	2,958
Mr. Lee Sung Kei Francis	–	1,584	528	78	2,190
Mr. Lam Tak Ling	–	1,536	512	60	2,108
Mr. Von John	–	1,365	453	18	1,836
Non-executive directors					
Dr. Tang Sing Hing Kenny (note (ii))	240	108	–	3	351
Mr. Ashley Lo	360	960	–	18	1,338
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	180	–	–	–	180
	1,320	7,713	2,213	255	11,501

Notes:

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

(ii) Dr. Tang Sing Hing Kenny resigned as a non-executive director with effect from 31 May 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Effective from 18 September 2020, Mr. Lee Sung Kei Francis cease to act as the Chief Executive Officer of the Company but remain as an executive director of the Company. Mr. Raymond Liu being the chairman of the Company has also been appointed as the Chief Executive Officer.

The emoluments of executive directors stated above were for their services in connection with the management of the affairs 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.

During the year, Mr. Raymond Liu was granted share options, in respect of his services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 38 to the consolidated financial statements.

Employees' emoluments

The five highest paid individuals of the Group include three (2021: three) directors of the Company for the year ended 31 March 2022, whose emoluments are included in the disclosures above. The total emoluments of the remaining two (2021: two) individuals for the year ended 31 March 2022, are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries and other benefits	**3,214**	2,400
Performance related bonuses	**528**	640
Equity-settled share-based expense	**1,310**	1,624
Contributions to retirement benefits schemes	**72**	84
	5,124	4,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. 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:

	2022 No. of employees	2021 No. of employees
HK$2,000,001 to HK$2,500,000	**2**	3
HK$2,500,001 to HK$3,000,000	**2**	2
HK$4,000,001 to HK$4,500,000	**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.

14. DIVIDENDS

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period.

A final dividend of HK$0.01 per share with aggregate amount of approximately HK$10,049,000 of the Company in respect of the year ended 31 March 2021 has been declared and paid by the Company during the year ended 31 March 2022.

A final dividend of HK$0.01 per share with aggregate amount of approximately HK$10,015,000 of the Company in respect of the year ended 31 March 2020 has been declared and paid by the Company during the year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

15. 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:

	2022 HK$'000	2021 HK$'000
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**22,789**	34,739

	2022 Number of shares '000	2021 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,005,985**	1,003,345

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 were higher than the average market price of the Company's shares for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

16. PROPERTY AND EQUIPMENT

	Owned properties HK$'000	Leased properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office and computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2020	30,996	16,276	10,775	6,859	4,002	68,908
Exchange adjustments	82	52	9	29	–	172
Additions	–	12,871	2,386	1,279	1,313	17,849
Acquired on acquisition of subsidiaries (note 30)	–	–	–	80	–	80
Disposals	–	–	–	–	(660)	(660)
Modification of a lease	–	(621)	–	–	–	(621)
At 31 March 2021	31,078	28,578	13,170	8,247	4,655	85,728
Exchange adjustments	234	40	24	24	–	322
Additions	29,292	9,267	7,356	2,402	680	48,997
Disposals	–	(14,422)	(7,572)	(111)	(484)	(22,589)
Modification of a lease	–	241	–	–	–	241
At 31 March 2022	60,604	23,704	12,978	10,562	4,851	112,699
ACCUMULATED DEPRECIATION						
At 1 April 2020	1,085	5,015	7,102	3,670	1,843	18,715
Exchange adjustments	5	27	5	12	–	49
Provided for the year	620	6,590	1,825	1,301	1,115	11,451
Eliminated on disposals	–	–	–	–	(660)	(660)
At 31 March 2021	1,710	11,632	8,932	4,983	2,298	29,555
Exchange adjustments	15	36	13	16	–	80
Provided for the year	1,153	7,655	3,315	1,663	1,257	15,043
Eliminated on disposals	–	(10,617)	(6,976)	(54)	(484)	(18,131)
At 31 March 2022	2,878	8,706	5,284	6,608	3,071	26,547
CARRYING VALUES						
At 31 March 2022	57,726	14,998	7,694	3,954	1,780	86,152
At 31 March 2021	29,368	16,946	4,238	3,264	2,357	56,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

16. PROPERTY AND EQUIPMENT (continued)

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

Owned properties	2%
Leased properties	Over the lease terms
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 31 March 2022			
Carrying amount	14,998	168	15,166
At 31 March 2021			
Carrying amount	16,946	336	17,282
For the year ended 31 March 2022			
Depreciation charge	7,655	168	7,823
For the year ended 31 March 2021			
Depreciation charge	6,590	167	6,757

	Year ended 31 March	
	2022 HK$'000	2021 HK$'000
Expense relating to short-term leases	**721**	647
Expense relating to leases of low-value assets excluding short-term leases of low-value assets	**–**	3
Total cash outflow for leases	**9,205**	7,416
Modification of leases	**241**	(621)
Additions to right-of-use assets	**9,267**	12,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

16. PROPERTY AND EQUIPMENT (continued)

The Group as lessee (continued)

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

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. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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 2022 and 2021, there is no such triggering event.

The Group regularly entered into short-term leases for carpark. As at 31 March 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 April 2020	–
Arising on acquisition of a subsidiary (note 30)	3,216
At 31 March 2021 and 2022	3,216

For the purposes of impairment testing, goodwill has been allocated to one individual CGU ("Relevant CGU"), comprising those subsidiaries under Cybersecurity products business and Cybersecurity services business. In addition to goodwill above, property and equipment (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 16.5% (2021: 15.1%). Relevant CGU's cash flows beyond the five-year period are extrapolated using a steady 2.5% (2021: 3.0%) growth rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

17. GOODWILL (continued)

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The cash flow projections, growth rates and discount rate have been assessed as at 31 March 2022 and 2021 taking into consideration higher degree of estimation uncertainties due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the operations of Relevant CGU.

During the year ended 31 March 2022 and 2021, management of the Group determines that there is no impairment on the Relevant CGU. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the Relevant CGU to exceed the recoverable amount of the Relevant CGU.

18. INTANGIBLE ASSETS

	2022 **HK$'000**	2021 HK$'000
Trading rights	**6,228**	6,228
Exclusive rights	**34,031**	–
Coin-related digital assets	**5**	–
	40,264	6,228

Intangible assets with indefinite useful life carried at cost less any subsequent accumulated impairment losses

	Trading rights HK$'000
COST AND CARRYING VALUES	
At 1 April 2020	–
Acquired on acquisition of a subsidiary (note 30)	6,228
At 31 March 2021 and 2022	6,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

18. INTANGIBLE ASSETS (continued)

Intangible assets with indefinite useful life carried at cost less any subsequent accumulated impairment losses (continued)

At 31 March 2022, intangible assets amounting to approximately HK$6,228,000 (2021: HK$6,228,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights were considered by the management of the Group as having an indefinite useful life because these are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead these will be tested for impairment annually and whenever there is an indication that they may be impaired.

As at 31 March 2021, for impairment testing purpose, the recoverable amount of the trading rights, which is determined based on the fair value less cost of disposal, is higher than its carrying amount. Accordingly, no impairment is recognised in profit or loss for the year ended 31 March 2021. The fair value less cost of disposal is estimated based on market observable comparable transactions and the fair value measurement is categorised into Level 2 fair value hierarchy.

As at 31 March 2022, the determination of the recoverable amount of the trading rights changed from fair value less costs of disposal to value in use calculation as there is no recent market observable comparable transactions during the year ended 31 March 2022.

For the purposes of impairment testing, these trading rights have been allocated to one individual CGU which is the operation of Axion Global Asset Management Limited ("AGAM CGU"), the subsidiary holding the trading rights. In addition to the trading rights above, property and equipment (including allocation of corporate assets) that generate cash flows together with the related trading rights are also included in the AGAM CGU for the purpose of impairment assessment. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 16.5%. Cash flows beyond the five-year period are extrapolated using a steady 3% growth rate.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

During the year ended 31 March 2022, management of the Group determines that there is no impairment on the AGAM CGU. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the AGAM CGU to exceed the recoverable amount of the AGAM CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

18. INTANGIBLE ASSETS (continued)

Intangible assets with finite useful life carried at cost less accumulated amortisation and any subsequent accumulated impairment losses

	Exclusive rights HK$'000
COST	
At 1 April 2020 and 31 March 2021	–
Acquired on acquisition of subsidiaries (note 30)	34,416
At 31 March 2022	34,416
ACCUMULATED AMORTISATION	
At 1 April 2020 and 31 March 2021	–
Charge for the year	385
At 31 March 2022	385
CARRYING VALUES	
At 31 March 2022	34,031
At 31 March 2021	–

The exclusive rights of the intellectual property are used for the development of the Group's cloud-based email security platform. Such exclusive rights are acquired through acquisition of subsidiaries as disclosed in note 30 to the consolidated financial statements.

The above exclusive rights are amortised on a straight-line basis over finite useful lives of 13 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

18. INTANGIBLE ASSETS (continued)

Intangible assets with indefinite useful life measured using revaluation model

	Coin-related digital assets HK$'000
At 1 April 2020 and 31 March 2021	–
Additions	12,402
Disposal	(13,026)
Revaluation gain credited to other comprehensive income	629
At 31 March 2022	5

During the year ended 31 March 2022, the Group has invested in several coin-related digital assets. As at 31 March 2022, such digital assets are carried at a revalued amount of approximately HK$5,000. The fair value of the digital assets is measured at level 1 which is based on the quoted bid prices in an active market. Had the digital assets been carried at cost less any accumulated amortisation and any accumulated impairment losses, their carrying amount as at 31 March 2022 for the purposes of these consolidated financial statements would have been HK$5,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

19. FINANCIAL ASSETS AT FVTPL

	2022 HK$'000	2021 HK$'000
Listed equity investments in Hong Kong and the United States	**263**	13,021
Unlisted fund investment	**4,143**	–
Unlisted preference shares of Tykhe Capital Group Limited ("Tykhe")	**37,854**	23,264
	42,260	36,285
Analysed for reporting purposes as:		
Non-current assets	**37,854**	23,264
Current assets	**4,406**	13,021
	42,260	36,285

During the year ended 31 March 2022 and 2021, the Group has invested in several listed equity investments in Hong Kong and the United States. Such investments are classified as financial assets at FVTPL. The fair value is measured at level 1 which is based on quoted bid prices in an active market.

During the year ended 31 March 2022, the Group has invested in an unlisted fund investment. Such investment is classified as financial assets at FVTPL. The fair value is measured at level 2 based on the fair value of the underlying assets and liabilities of the fund. The major assets of the fund are digital assets which the fair value is measured based on the quoted bid prices in an active market.

During the year ended 31 March 2021, the Group has also completed the subscription of the United States Dollar ("USD") 3 million of share capital of series A2 preference shares of Tykhe. The fair value is measured at level 3 (2021: level 2) based on equity value based on backsolve method with reference to recent market transaction price allocated to series A2 preference shares with weighted probability rate of 50% and 50%, respectively under liquidation scenario and qualified IPO scenario (2021: recent market transaction price). The investment is classified as financial assets at FVTPL. During the year ended 31 March 2022, fair value gain of approximately HK$14,590,000 has been recognised for the investment in Tykhe.

Details of the fair value measurement on financial assets at FVTPL are disclosed in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

20. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation of the consolidated financial statements, certain deferred tax assets and deferred tax liabilities have been offset. The following is the analysis for reporting propose:

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets	**4,231**	710
Deferred tax liabilities	**(6,643)**	(1,028)
	(2,412)	(318)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years:

	Accelerated accounting depreciation HK$'000	**ECL provision** HK$'000	**Tax losses** HK$'000	**Change in fair value of financial assets at FVTPL** HK$'000	**Intangible assets** HK$'000	**Total** HK$'000
At 1 April 2020	–	–	–	–	–	–
Arising on acquisition of subsidiaries (note 30)	–	–	–	–	(1,028)	(1,028)
Credit (charge) to profit or loss for the year	520	190	165	(165)	–	710
At 31 March 2021	520	190	165	(165)	(1,028)	(318)
Arising on acquisition of subsidiaries (note 30)	–	–	–	–	(5,679)	(5,679)
(Charge) credit to profit or loss for the year	(338)	30	3,664	165	64	3,585
At 31 March 2022	182	220	3,829	–	(6,643)	(2,412)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

21. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Contract assets from technical implementation services contracts	7,055	5,046
Less: allowance for credit losses	(63)	(50)
	6,992	4,996

As at 1 April 2020, contract assets amounted to approximately HK$4,782,000.

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 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 HK$'000	2021 HK$'000
Current		
Trade receivables	**99,363**	68,528
Less: allowance for credit losses	**(847)**	(800)
	98,516	67,728
Prepayment to suppliers for maintenance and support services (note (ii))	**94,001**	69,264
Receivables with broker's house and custodian	**1,312**	53
Other tax receivables	**526**	377
Prepayment and others	**5,653**	1,733
	200,008	139,155
Non-current		
Rental deposits	**4,402**	3,494
Deposits for life insurance contracts (note (i))	**13,837**	13,517
Prepayment of life insurance charged (note (i))	**371**	413
Prepayment to suppliers for maintenance and support services (note (ii))	**70,970**	33,716
	89,580	51,140
Total trade and other receivables, prepayments and deposits	**289,588**	190,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

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

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.

    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.

As at 1 April 2020, trade receivables from contracts with customers amounted to approximately HK$87,063,000.

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 2022

22. 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:

	2022 **HK$'000**	2021 HK$'000
0 to 30 days	**59,482**	38,519
31 to 60 days	**26,742**	16,713
61 to 90 days	**7,929**	4,095
91 to 120 days	**3,354**	4,199
121 to 365 days	**1,009**	4,202
	98,516	67,728

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$29,671,000 (2021: HK$23,669,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$595,000 (2021: HK$4,035,000) 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 34.

23. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Finished goods	**13,830**	4,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

24. LOAN RECEIVABLE

	2022	2021
	HK$'000	HK$'000
Fixed-rate loan receivable	**5,091**	5,091
Less: allowance for credit losses	**(425)**	(300)
	4,666	4,791

The loan receivable was made to a third party not related to the Group. The interest rate is 6% (2021: 6%) per annum. Two directors of the borrower have provided personal guarantee to the Group. During the year ended 31 March 2022, the Group renewed the loan agreement with the borrower and extended the loan for one more year. As at 31 March 2022 and 2021, the loan receivable has contractual maturity of one year and therefore presented as current assets in the consolidated statement of financial position.

The loan receivable is yet past due at the end of reporting period. Details of impairment assessment are set out in note 34.

25. 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.

Details of impairment assessment of bank balances are set out in note 34.

26. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2022	2021
	HK$'000	HK$'000
Trade payables	**53,077**	29,329
Accrued expense	**7,198**	3,133
Accrued staff costs	**8,575**	7,035
Others	**1,867**	433
	70,717	39,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

26. TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**52,880**	24,394
31 to 60 days	**–**	4,830
61 to 90 days	**197**	90
91 to 120 days	**–**	4
121 to 365 days	**–**	11
	53,077	29,329

27. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**6,855**	8,005
Within a period of more than one year but not exceeding two years	**5,031**	4,936
Within a period of more than two years but not exceeding five years	**3,812**	5,300
	15,698	18,241
Less: Amount due for settlement within 12 months shown under current liabilities	**(6,855)**	(8,005)
Amount due for settlement after 12 months shown under non-current liabilities	**8,843**	10,236

The weighted average incremental borrowing rates applied to lease liabilities range from 2.5% to 5.3% (2021: 2.5% to 5.3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

28. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract liabilities from:		
Provision of maintenance and support services	**221,977**	148,156
Provision of technical implementation services	**1,956**	4,906
Procurement of network security products, system security products and application and data security products	**1,110**	1,295
	225,043	154,357

Analysed for reporting purposes as:

	2022 HK$'000	2021 HK$'000
Current liabilities	**134,208**	106,762
Non-current liabilities	**90,835**	47,595
	225,043	154,357

As at 1 April 2020, contract liabilities amounted to approximately HK$133,956,000.

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 services 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

28. CONTRACT LIABILITIES (continued)

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:

	2022 **HK$'000**	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
Revenue from provision of maintenance and support services	**100,561**	87,223
Revenue from provision of technical implementation services	**4,906**	2,935
Revenue from procurement of network security products, system security products and application and data security products	**1,295**	1,627
	106,762	91,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

29. BANK BORROWINGS

	2022 **HK$'000**	2021 HK$'000
Secured and guaranteed bank borrowings	**55,777**	22,202
The carrying amounts of the above bank borrowings are repayable*:		
Within one year	**25,308**	2,401
More than one year but not exceeding two years	**2,009**	1,329
More than two years but not exceeding five years	**5,683**	3,715
More than five years	**22,777**	14,757
	55,777	22,202
Less: Amounts due within one year or contains a repayment on demand clause shown under current liabilities	**(37,021)**	(2,491)
Amounts shown under non-current liabilities	**18,756**	19,711

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

As at 31 March 2022, bank borrowing of approximately HK$19,890,000 (2021: HK$20,949,000) is a Singapore Dollar ("SG$") denominated mortgage loan for the owned properties in Singapore as disclosed in note 39, carries fixed rate of 1.78% per annum for the first two years and subsequently Singapore Overnight Rate Average ("SORA") in advance plus 4% per annum upon the modified bank facility issued by bank on 22 February 2022 for the transition of SIBOR to SORA (2021: prevailing 3-month SG$ SIBOR plus 3% per annum). The effective interest rate on the bank borrowing was 3.75% (2021: 3.1%) per annum as at 31 March 2022. This bank borrowing is secured by the owned properties in Singapore as set out in note 39 and the corporate guarantees provided by the Company and certain subsidiaries of the Company.

As at 31 March 2022, bank borrowings of approximately HK$12,358,000 is at floating rate which carry interest at 1-month Hongkong Interbank Offered Rate ("HIBOR") plus 1.3%, with effective interest rate of 1.5% per annum as at 31 March 2022. These bank borrowings are repayable on demand and hence classified as current liabilities as at 31 March 2022. Such bank borrowings are denominated in HK$ and secured by the owned properties in Hong Kong as at 31 March 2022 as set out in note 39 and the corporate guarantees provided by the Company and certain subsidiaries of the Company.

The remaining bank borrowings of approximately HK$23,529,000 (2021: HK$1,253,000) are at floating rate which carry interest at US$ Best Lending Rate ("BLR") add a spread, with effective interest rate of 3.2% (2021: 3.5%) per annum as at 31 March 2022. 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 2022 and 2021 as set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES

Acquisition of Silverstone Networks Limited and its subsidiaries ("Silverstone Group")

On 29 October 2021, a wholly-owned subsidiary of the Company entered into the sales and purchase agreement with the owner of Silverstone Group to acquire 100% equity interest of Silverstone Group at a consideration of HK$5,000,000. The acquisition was completed on the same day upon execution of the sales and purchase agreement. Silverstone Group is principally engaged in provision of IT security solution and was acquired with the objective to further develop the Group's proprietary artificial intelligence engine and adaptive infrastructure, increase its market share and enhance its competitiveness in the cloud-based email security platform. The acquisition has been accounted for as acquisition of business using the acquisition method.

Silverstone Group was previously 100% owned by an independent third party.

Consideration transferred

	HK$'000
Cash	5,000

Acquisition-related costs amounting to approximately HK$97,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 March 2022, within the "administrative and other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Intangible assets	5,986
Trade and other receivables, prepayments and deposits	808
Bank balances and cash	247
Trade and other payables and accruals	(1,053)
Deferred tax liabilities	(988)
	5,000

The intangible assets recognised at the acquisition date was measured by reference to the fair value of the intangible assets and amounted to approximately HK$5,986,000. This fair value was estimated by applying an income approach using discounted cash flow model. The key model inputs used in determining the fair value were pre-tax discount rate of 17.4% and long-term growth rate of 2.5%.

No goodwill arises from the acquisition of Silverstone Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Silverstone Networks Limited and its subsidiaries ("Silverstone Group") (continued)

Net cash outflow on acquisition of Silverstone Group for the year ended 31 March 2022

	HK$'000
Cash consideration paid	5,000
Less: cash and cash equivalents acquired	(247)
	4,753

Impact of acquisition on the results of the Group for the year ended 31 March 2022

Included in the profit for the year is the loss of approximately HK$166,000 attributable to the business generated by Silverstone Group. There is no revenue generated from the acquisition for the year. Had the acquisition of Silverstone Group have been completed on 1 April 2021, there is no impact to the revenue for the year of the Group, and profit for the year of the Group for the year ended 31 March 2022 would have been approximately HK$20,679,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results.

Acquisition of Maldun Security Limited ("Maldun")

On 21 January 2022, a wholly-owned subsidiary of the Company entered into the sales and purchase agreement with the owner of Maldun to acquire 100% equity interest of Maldun at a consideration of HK$24,000,000. The acquisition was completed on 18 February 2022 upon fulfilment of conditions precedent under the sales and purchase agreement. Maldun is principally engaged in provision of technology services and was acquired with the objective to further develop the Group's proprietary artificial intelligence engine and adaptive infrastructure, increase its market share and enhance its competitiveness in the cloud-based email security platform. The acquisition has been accounted for as acquisition of business using the acquisition method.

Maldun was previously 100% owned by an independent third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Maldun Security Limited ("Maldun") (continued)

Consideration transferred

	HK$'000
Cash	24,000

Acquisition-related costs amounting to approximately HK$463,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 March 2022, within the "administrative and other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Intangible assets	28,430
Trade and other receivables, prepayments and deposits	180
Bank balances and cash	139
Trade and other payables and accruals	(58)
Deferred tax liabilities	(4,691)
	24,000

The intangible assets recognised at the acquisition date was measured by reference to the fair value of the intangible assets and amounted to approximately HK$28,430,000. This fair value was estimated by applying an income approach using discounted cash flow model. The key model inputs used in determining the fair value were pre-tax discount rate of 16.7% and long-term growth rate of 2.5%.

No goodwill arises from the acquisition of Maldun.

Net cash outflow on acquisition of Maldun for the year ended 31 March 2022

	HK$'000
Cash consideration paid	24,000
Less: cash and cash equivalents acquired	(139)
	23,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Maldun Security Limited ("Maldun") (continued)

Impact of acquisition on the results of the Group for the year ended 31 March 2022

Included in the profit for the year is the loss of approximately HK$218,000 attributable to the business generated by Maldun. There is no revenue generated from the acquisition for the year. Had the acquisition of Maldun have been completed on 1 April 2021, there is no impact to the revenue for the year of the Group, and profit for the year of the Group for the year ended 31 March 2022 would have been approximately HK$19,238,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future results.

Acquisition of Axion Global Financial Group Limited (formerly known as Royston Financial Group Limited) and its subsidiaries ("AGFG Group")

On 10 August 2020, a wholly-owned subsidiary of the Company entered into the subscription agreement with the owners of AGFG Group to subscribe 60% equity interest of AGFG Group at a subscription price of HK$7,200,000. The shares subscription was completed on 4 January 2021. AGFG Group is principally engaged in financial services in Hong Kong and was acquired with the objective of expanding the Group's business portfolio in financial services sector. The acquisition has been accounted for as acquisition of business using the acquisition method.

AGFG Group was previously owned as to (i) 60% indirectly by Mr. Raymond Liu; (ii) 20% indirectly by Dr. Tang Sing Hing Kenny; and (iii) 20% indirectly by an independent third party. Upon completion of the share subscription, AGFG Group is owned as to 60% indirectly by the Company; 24% indirectly by Mr. Raymond Liu; 8% indirectly by Dr. Tang Sing Hing Kenny; and 8% indirectly by the independent third party.

Consideration transferred

	HK$'000
Cash paid for shares subscription	7,200

Acquisition-related costs amounting to approximately HK$248,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 March 2021, within the "administrative and other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Axion Global Financial Group Limited (formerly known as Royston Financial Group Limited) and its subsidiaries ("AGFG Group") (continued)

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Intangible assets	6,228
Trade and other receivables, prepayments and deposits	944
Bank balances and cash	7,403
Trade and other payables and accruals	(1,547)
Deferred tax liabilities	(1,028)
	12,000

The intangible assets recognised at the acquisition date was measured by reference to the fair value of the intangible assets and amounted to approximately HK$6,228,000. This fair value was estimated by applying market approach based on recent transaction price of the relevant intangible assets.

No goodwill arises from the acquisition of AGFG Group.

Non-controlling interests

The non-controlling interests (40%) in AGFG Group recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of AGFG Group and amounted to HK$4,800,000.

Net cash inflow on acquisition of AGFG Group for the year ended 31 March 2021

	HK$'000
Cash paid for shares subscription	7,200
Less: cash and cash equivalents acquired	(7,403)
	(203)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Axion Global Financial Group Limited (formerly known as Royston Financial Group Limited) and its subsidiaries ("AGFG Group") (continued)

Impact of acquisition on the results of the Group for the year ended 31 March 2021

Included in the profit for the year is the loss of approximately HK$1,204,000 attributable to the business generated by AGFG Group. Revenue for the year includes approximately HK$105,000 generated from the acquisition.

Had the acquisition of AGFG Group have been completed on 1 April 2020, revenue for the year of the Group for the year ended 31 March 2021 would have been approximately HK$417,666,000, and profit for the year of the Group for the year ended 31 March 2021 would have been approximately HK$24,061,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future results.

Acquisition of Wepro180 Group Limited and its subsidiaries ("Wepro180 Group")

On 9 October 2020, the Company entered into the sales and purchase agreement with the owners of Wepro180 Group to acquire 100% equity interest of Wepro180 Group at a consideration of HK$3,500,000. The acquisition was completed on the same day upon execution of the sales and purchase agreement. Wepro180 Group is principally engaged in online marketing and multimedia production services and was acquired with the objective of enhancing the sales of the Group's existing cybersecurity products and also facilitate the Group's future development. The acquisition has been accounted for as acquisition of business using the acquisition method.

Wepro180 Group was previously owned as to (i) 89% directly by Mr. Raymond Liu; (ii) 11% directly by other three individuals. Upon completion of the share subscription, Wepro180 Group become a wholly owned subsidiary of the Company.

Consideration transferred

	HK$'000
Cash	3,500

Acquisition-related costs amounting to approximately HK$33,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 March 2021, within the "administrative and other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Wepro180 Group Limited and its subsidiaries ("Wepro180 Group") (continued)

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Property and equipment	80
Trade receivables, prepayments and deposits	62
Bank balances and cash	283
Accruals	(58)
Tax payables	(83)
	284

Goodwill arising on acquisition

	HK$'000
Consideration transferred	3,500
Less: recognised amounts of net assets acquired	(284)
Goodwill arising on acquisition	3,216

Goodwill arose in the acquisition of Wepro180 Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development together with the Group's existing operations (i.e. Cybersecurity products business and Cybersecurity services business) and the assembled workforce of Wepro180 Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition of Wepro180 Group is not expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Wepro180 Group Limited and its subsidiaries ("Wepro180 Group") (continued)

Net cash outflow on acquisition of Wepro180 Group for the year ended 31 March 2021

	HK$'000
Cash consideration paid	3,500
Less: cash and cash equivalents acquired	(283)
	3,217

Impact of acquisition on the results of the Group for the year ended 31 March 2021

Included in the profit for the year is the profit of HK$199,000 attributable to the business generated by Wepro180 Group. Revenue for the year includes HK$1,083,000 generated from the acquisition.

Had the acquisition of Wepro180 Group have been completed on 1 April 2020, revenue for the year of the Group for the year ended 31 March 2021 would have been HK$412,705,000, and profit for the year would have been HK$37,639,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

31. 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 2020, 31 March 2021 and 31 March 2022	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2020	1,001,446,000	10,014
Issue of shares under share award scheme (note (i))	3,500,000	35
At 31 March 2021	1,004,946,000	10,049
Issue of shares upon exercise of share options (note (ii))	1,900,000	19
Issue of shares under share award scheme (note (iii))	4,820,000	49
At 31 March 2022	1,011,666,000	10,117

Notes:

(i) On 15 September 2020, 3,500,000 new ordinary shares of the Company were issued to four eligible employees under share award scheme at no consideration. The aggregate value of the share awards was approximately HK$2,030,000 based on the closing share price of the Company as at 3 September 2020 of HK$0.58 each. The aggregate par value of the respective shares was approximately HK$35,000. The difference of approximately HK$1,995,000 between the aggregate share awards value and the aggregate par value of the shares have been credited to share premium.

(ii) During the year ended 31 March 2022, a total of 1,900,000 new ordinary shares of HK$0.01 each were issued upon exercise of the share options of the Company. The aggregate value of the shares issued upon exercise of share options was approximately HK$1,235,000 based on the share option exercise price on exercise date. The aggregate par value of the respective shares was approximately HK$19,000. The difference of approximately HK$1,216,000 between the aggregate share value and the aggregate par value of the shares have been credited to share premium.

(iii) On 31 March 2022, 4,820,000 new ordinary shares of the Company were issued to four eligible employees under share award scheme at no consideration. The aggregate value of the share awards was approximately HK$3,471,000 based on the closing share price of the Company as at 16 February 2022 of HK$0.72 each. The par value of the respective shares was approximately HK$49,000. The difference of approximately HK$3,422,000 between the aggregate share awards value and the aggregate par value of the shares have been credited to share premium.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

32. 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.

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 2022 and 2021, 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$4,058,000 (2021: HK$2,851,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

33. 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, cash and cash equivalents 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 the payment of dividends, new share issues and raising of new borrowings.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets		
Amortised cost	**159,754**	149,905
FVTPL	**42,260**	36,285
Financial liabilities		
Amortised cost	**126,494**	62,132

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loan receivable, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

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 2022			
Financial assets at FVTPL	**–**	**4,143**	**–**
Trade receivables and deposits	**–**	**15,668**	**15**
Bank balances and cash	**29**	**4,833**	**678**
Trade and other payables	**–**	**32,017**	**32**
Bank borrowings	**–**	**17,429**	**19,890**

	Denominated in Renminbi ("RMB") HK$'000	Denominated in US$ HK$'000	Denominated in SG$ HK$'000
As at 31 March 2021			
Financial assets at FVTPL	–	6,294	–
Trade receivables and deposits	–	9,036	–
Bank balances and cash	4,228	12,052	1,343
Trade and other payables	–	28,042	256
Bank borrowings	–	1,252	20,949

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 2022

34. 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% (2021: 5%) increase and decrease in other foreign currencies against HK$. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding SG$ and RMB denominated monetary items and adjusts their translation at the year end for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where other foreign currencies strengthen 5% (2021: 5%) against HK$. For a 5% (2021: 5%) weakening of other foreign currencies against HK$, there would be an equal and opposite impact on the result, and the balances below would be negative.

	2022 **HK$'000**	2021 HK$'000
(Decrease) increase in post-tax profit for the year:		
– SG$	**(803)**	(829)
– RMB	**1**	177

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and fixed-rate loan receivable (see notes 27 and 24, respectively). 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 25 and 29, respectively). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank's US$ BLR, SIBOR, HIBOR and SORA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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:

	2022 **HK$'000**	2021 HK$'000
Other income	**351**	282

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

	2022 **HK$'000**	2021 HK$'000
Financial liabilities at amortised cost	**1,009**	553

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 (2021: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

A negative number below indicates a decrease in post-tax profit for the year where the interest rate had been 50 basis points (2021: 50 basis points) higher and all other variable were held constant. For 50 basis points (2021: 50 basis points) lower on interest rate, there would be an equal and opposite impact on the result for the year.

	2022 **HK$'000**	2021 HK$'000
Decrease in post-tax profit for the year	**233**	(93)

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 2022 and 2021. Accordingly, no sensitivity analysis on interest rate risk is presented.

(iii) Other price risk

The Group is exposed to price risk in respect of listed equity investments in Hong Kong (2021: listed equity investments in Hong Kong and United States), unlisted fund investment (2021: nil) and unlisted preference shares in Hong Kong (2021: unlisted preference shares in Hong Kong) as at 31 March 2022.

Sensitivity analysis

The sensitivity analyses on listed equity investments in Hong Kong and United States, unlisted fund investment and unlisted preference shares in Hong Kong during the year have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate considers at 10% in the current year. If the prices of the respective investments had been 10% higher/lower and all other variables were held constant, the Group's pre-tax profit for the year would increase/decrease by approximately HK$4,226,000 (2021: HK$3,030,000) as a result of the changes in fair value of financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to loan receivable, trade and other receivables and deposits, contract assets and bank balances as at 31 March 2022 and 2021. As at 31 March 2022 and 2021, 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 gross carrying amount of those assets as stated in the consolidated statement of financial position.

Loan receivable

Credit risk of loan receivable is assessed individually. The management of the Group estimates the estimated loss rates of loan receivable based on the current past due exposure as well as the personal guarantee provided by the guarantors to the loan receivable. Based on assessment by the management of the Group, an impairment loss of approximately HK$125,000 (2021: HK$300,000) was recognised in profit or loss during the year ended 31 March 2022 in view of probability of default.

As at 31 March 2022 and 2021, the Group had concentration of credit risk as entire loan receivable was due from one debtor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. 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 2022, the Group had concentration of credit risk as 15% (2021: 20%) of the total trade receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 40% (2021: 50%) of the total trade receivables as at 31 March 2022.

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 (i.e. the forecasted default rate expected by the international credit-rating agencies). 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 and deposits were immaterial. Thus no loss allowance was recognised.

Bank balances

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 were immaterial. Thus no loss allowance was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. 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 or counterparty has a low risk of default and has good credit rating evaluated by international credit-rating agencies	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 2022

34. 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 (loan receivable, trade and other receivables and deposits and bank balances) and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts 2022 HK$'000	Gross carrying amounts 2021 HK$'000
Financial assets at amortised cost						
Loan receivable	24	N/A	Low risk	12-month ECL	**5,091**	5,091
Trade receivables – goods and services	22	N/A	(note 1)	Lifetime ECL (provision matrix)	**14,067**	13,668
			Low risk	Lifetime ECL	**85,296**	54,860
Other receivables and deposits	22	N/A	(note 2)	12-month ECL	**7,446**	4,003
Bank balances	25	Aa3 to Baa3	N/A	12-month ECL	**49,126**	73,383
Other items						
Contract assets	21	N/A	(note 1)	Lifetime ECL (provision matrix)	**1,943**	2,346
			Low risk	Lifetime ECL	**5,112**	2,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. 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 and adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort.

   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 approximately HK$85,296,000 (2021: HK$54,860,000) and HK$5,112,000 (2021: HK$2,700,000) respectively as at 31 March 2022 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 2022 within lifetime ECL (not credit-impaired).

   Gross carrying amount

	2022			2021		
Internal credit rating	**Average loss rate %**	**Trade receivables HK$'000**	**Contract assets HK$'000**	Average loss rate %	Trade receivables HK$'000	Contract assets HK$'000
Low risk	**0.8**	**7,947**	**1,469**	0.9	9,040	2,140
Medium risk	**1.5**	**5,476**	**435**	2.7	4,275	206
High risk	**4.0**	**644**	**39**	6.6	353	–
		14,067	**1,943**		13,668	2,346

   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 forecasted default rate expected by the international credit-rating agencies) that is available without undue cost or effort. The contract assets have the same risk characteristics as the trade receivables for the same type of contracts would apply the same internal credit rating and loss rate. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

   During the year ended 31 March 2022, the Group provided net reversal of impairment allowance of approximately HK$58,000 (2021: net impairment allowance of approximately HK$83,000) and net impairment allowance of approximately HK$9,000 (2021: HK$15,000) for trade receivables and contract assets, respectively, based on the provision matrix. Net impairment allowance of approximately HK$105,000 (2021: HK$34,000) and HK$4,000 (2021: HK$5,000) 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 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. 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
2022:			
Financial assets at amortised cost			
Other receivables and deposits	–	7,446	7,446
2021:			
Financial assets at amortised cost			
Other receivables and deposits	–	4,003	4,003

The following table shows the movement in lifetime ECL that has been recognised for loan receivable, as well as trade receivables and contract assets under the simplified approach.

	Loan receivable under 12-month ECL (not credit-impaired) HK$'000	Trade receivables under lifetime ECL (not credit-impaired) HK$'000	Contract assets under lifetime ECL (not credit-impaired) HK$'000	Total HK$'000
As at 1 April 2020	–	683	30	713
Changes due to financial instruments recognised as at 1 April 2020:				
– Impairment loss reversed	–	(683)	(30)	(713)
New financial assets originated	300	800	50	1,150
As at 31 March 2021	300	800	50	1,150
Changes due to financial instruments recognised as at 1 April 2021:				
– Impairment loss recognised	125	–	–	125
– Impairment loss reversed	–	(800)	(50)	(850)
New financial assets originated	–	847	63	910
As at 31 March 2022	425	847	63	1,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. 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.

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities and lease 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 other time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities and lease 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate % per annum	On demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2022									
Trade and other payables and accruals	N/A	–	70,717	–	–	–	–	70,717	70,717
Bank borrowings	3.0	35,887	371	1,106	1,684	5,887	17,048	61,983	55,777
Lease liabilities	4.9	–	1,917	5,582	5,354	3,974	–	16,827	15,698
		35,887	73,005	6,688	7,038	9,861	17,048	149,527	142,192

	Weighted average effective interest rate % per annum	On demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2021									
Trade and other payables and accruals	N/A	–	39,930	–	–	–	–	39,930	39,930
Bank borrowings	3.1	1,253	421	1,290	1,863	5,345	17,622	27,794	22,202
Lease liabilities	5.3	–	2,272	6,481	5,319	5,688	–	19,760	18,241
		1,253	42,623	7,771	7,182	11,033	17,622	87,484	80,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

As at 31 March 2022 and 2021, 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 2022, the aggregate carrying amount of these bank borrowings amounted to approximately HK$35,887,000 (2021: HK$1,253,000). 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	Over 5 years	Total undiscounted cash flows	Total carrying amounts
	% per annum	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings:								
As at 31 March 2022	2.6	23,955	618	816	2,389	9,276	37,054	35,887
As at 31 March 2021	3.5	297	892	156	–	–	1,345	1,253

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Interest rate benchmark reform

As listed in note 29, the Group's SIBOR bank borrowings have been transitioned to SORA bank borrowings and several of the Group's HIBOR bank borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

SIBOR

The Association of Banks in Singapore ("ABS"), ABS Benchmarks Administration Co Pte Ltd ("ABS"), the Singapore Foreign Exchange Market Committee ("SFEMC"), the Steering Committee for SOR & SIBOR Transition to SORA ("SC-STS") recommended the discontinuation of SIBOR, to facilitate a transition to the SORA as the main interest rate benchmark for SG$ financial markets.

On 11 December 2020, ABS, SFEMC and SC-STS published a joint industry response to feedback received from the July 2020 consultation on SIBOR Reform and the Future Landscape for SG$ Interest Rate Benchmarks. As at 31 March 2022, 6 months SIBOR have been discontinued. Based on the joint industry response, 1 month SIBOR and 3 months SIBOR will be discontinued by end of 2024 and replaced by SORA. As disclosed in note 29 to the consolidated financial statements, the 3-month SG$ SIBOR bank borrowings have been transitioned to SORA bank borrowings accordingly during the year ended 31 March 2022. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group will continue adopting HIBOR for the relevant bank borrowings until the maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Fair value measurement and valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and key inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engaged independent qualified professional valuers to perform the valuation. The management of the Group works closely with independent qualified professional valuers to establish the appropriate valuation techniques and key inputs to the model. The management of the Group reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value measurement and valuation process (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and input(s)	Sensitivity analysis
	2022 HK$'000	2021 HK$'000			
Investments in listed shares in Hong Kong and United States	**263**	13,021	Level 1	Quoted bid prices in an active market	N/A
Unlisted fund investment	**4,143**	–	Level 2	Fair value of the underlying assets and liabilities of the fund. The major assets of the fund are digital assets which the fair value is measured based on the quoted bid prices in an active market.	N/A
Investments in unlisted preference shares measured at FVTPL	**37,854**	23,264	Level 3 (2021: Level 2)	Equity value based on backsolve method with reference to recent market transaction price allocated to series A2 preference shares with weighted probability rate of 50% and 50%, respectively under liquidation scenario and qualified IPO scenario* (2021: Recent market transaction price).	A significant increase/decrease in weighted probability rate used under liquidation scenario would result in a moderate decrease/increase in fair value A significant increase/decrease in weighted probability rate used under qualified IPO scenario would result in a moderate increase/decrease in fair value

* Qualified IPO scenario represents the circumstances in which the preference shares converted to ordinary shares and are available to sell to the public reflecting a market capitalization of Tykhe.

During the year ended 31 March 2022, the fair value measurement hierarchy for investments in unlisted preference shares measured at FVTPL transferred from level 2 (which is based on recent market transaction price) to level 3 (which is based on equity value with reference to recent market transaction price allocated to series A2 preference shares with weighted probability of 50% and 50%, respectively under liquidation scenario and qualified IPO scenario).

Other than that, there were no transfers among Level 1, 2 and 3 during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

34. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value measurement and valuation process (continued)

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 estimate the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

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.

35. RELATED PARTY TRANSACTIONS

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

	2022 **HK$'000**	2021 HK$'000
Consultancy expenses to Wepro180 (Hong Kong) Limited ("Wepro180 HK") (note)	**–**	600

Note: Mr. Raymond Liu is the controlling shareholder of Wepro180 HK. Upon completion of acquisition of Wepro180 Group on 9 October 2020 as disclosed in note 30, Wepro180 HK become a subsidiary of the Group.

Compensation of key management personnel

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

	2022 **HK$'000**	2021 HK$'000
Short-term benefits	**19,073**	14,817
Post-employment benefits	**430**	340
	19,503	15,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

36. CAPITAL COMMITMENT

As at 31 March 2022, the Group has no capital commitments contracted but not provided in the consolidated financial statements.

As at 31 March 2021, the Group has capital commitments of approximately HK$25,251,000 in respect of the property and equipment contracted but not provided in the consolidated financial statements.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued share issue costs HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Dividends payable HK$'000	Total HK$'000
At 1 April 2020	–	23,089	11,933	–	35,022
Financing cash flows (note)	(2)	(1,495)	(6,766)	(10,015)	(18,278)
New leases entered/modifications	–	–	12,250	–	12,250
Dividends declared	–	–	–	10,015	10,015
Finance costs recognised	–	553	794	–	1,347
Share issue cost accrued	2	–	–	–	2
Exchange adjustments	–	55	30	–	85
At 31 March 2021	–	22,202	18,241	–	40,443
Financing cash flows (note)	–	32,395	(8,484)	(10,049)	13,862
New leases entered/modifications	–	–	4,982	–	4,982
Dividends declared	–	–	–	10,049	10,049
Finance costs recognised	–	1,009	956	–	1,965
Exchange adjustments	–	171	3	–	174
At 31 March 2022	–	55,777	15,698	–	71,475

Note: The financing cash flows represented the transaction cost attributable to issue of new shares, finance costs, additions and repayments to bank borrowings and lease liabilities and dividend paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

38. SHARE BASED PAYMENTS

(i) Share award scheme

On 1 September 2020, the Company adopted the share award scheme ("Share Award Scheme") pursuant to a resolution passed by the board of directors of the Company. The purposes of the Scheme are: (a) to provide the participant with an opportunity to acquire a proprietary interest in the Company; (b) to recognise the contributions by the participant and give incentives thereto in order to retain them for the continual operation and development of the Group; (c) to attract suitable personnel to work with the Group; and (d) to provide additional incentive for them to achieve long term performance goals and development. Pursuant to the rules of the Share Award Scheme, the shares shall be granted to the participants at no consideration.

The Share Award Scheme will expire on the 10th anniversary since the date of adoption. Under Share Award Scheme, the directors of the Company may at their discretion grant options to the employees, consultant or any other person (including professional advisers and suppliers of the Group) to subscribe for shares in the Company.

The number of shares awarded by the board of the directors of the Company in aggregate under the Share Award Scheme, any other share award schemes and share option schemes, must not more than one percent (1%) of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the issue mandate at the annual general meeting of the Company for a financial year at any time during the period of Share Award Scheme. The aggregate value of shares which may be subject to an Share Award Scheme at any one time shall not exceed HK$5 million as at the date of Share Award Scheme (based on the closing price of the shares on the business Day immediately preceding the date of Share Award Scheme).

On 3 September 2020, the Company granted a total of 3,500,000 shares of the Company as unconditional awards to four employees of the Group under the Share Award Scheme. The fair value of the award shares is HK$2,030,000, which is determined based on the share price of HK$0.58 each at the date of award had recognised as share-based payment expense for the year ended 31 March 2021 in the consolidated statement of profit or loss and other comprehensive income.

On 16 February 2022, the Company granted a total of 4,820,000 shares of the Company as unconditional awards to three professional adviser and one employee of the Group under the Share Award Scheme. The fair value of the award shares is HK$3,471,000, which is determined based on the share price of HK$0.72 each at the date of award had recognised as share-based payment expense for the year ended 31 March 2022 in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

38. SHARE BASED PAYMENTS (continued)

(ii) 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, being 22 March 2027. 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 the 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 2022

38. SHARE BASED PAYMENTS (continued)

(ii) 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 2022, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 19,924,000 (2021: 9,386,000) representing 1.97% (2021: 0.9%) of the shares of the Company in issue at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

38. SHARE BASED PAYMENTS (continued)

(ii) Share option scheme (continued)

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 2022 and 2021:

Grantees	Date of grant	Exercise price HK$	Exercisable period (note (iii))	As at 1 April 2020	Forfeited during the year (note (iv))	As at 31 March 2021	Exercised during the year (note (v))	Granted during the year (note (vii))	Forfeited during the year (note (iv))	As at 31 March 2022	Exercisable at 31 March 2022	Exercisable at 31 March 2021
Employees of the Group (note (vi))	7 July 2017	0.65 (note (i))	7 July 2018 to 6 July 2025	10,136,000	(750,000)	9,386,000	(1,900,000)	–	(1,072,000)	6,414,000	6,414,000	9,386,000
Employees of the Group (note (vi))	21 April 2021	0.582 (note (ii))	21 April 2022 to 22 March 2027	–	–	–	–	15,000,000	(1,490,000)	13,510,000	–	N/A
				10,136,000	(750,000)	9,386,000	(1,900,000)	15,000,000	(2,562,000)	19,924,000	6,414,000	9,386,000

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) The closing price per share immediately before 21 April 2021 (the date on which the share options were granted) was HK$0.58.

(iii) Share options granted under the Share Option Scheme on 7 July 2017 and 21 April 2021 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.

(iv) The share options were forfeited due to resignation of employees during both years.

(v) The share options have been exercised during the year as disclosed in note 31. The weighted average share price immediately before the dates of exercise is HK$0.68.

(vi) Such employees are working under continuous employment.

(vii) Out of the 15,000,000 share options granted, 5,500,000 share options are granted to Mr. Raymond Liu.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

38. SHARE BASED PAYMENTS (continued)

(ii) Share option scheme (continued)

Share option granted on 21 April 2021

The estimated fair value of the options granted on 21 April 2021 is HK$4,291,000. 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$0.58 per share	HK$0.58 per share	HK$0.58 per share
Exercise price	HK$0.582 per share	HK$0.582 per share	HK$0.582 per share
Option life	6 years (note (d))	6 years (note (d))	6 years (note (d))
Risk-free rate (note a)	1.79%	1.79%	1.79%
Volatility (note b)	77.36%	77.36%	77.36%
Dividend yield (note c)	2.1%	2.1%	2.1%

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.

(d) The option life was six years since the date of grant to the share option scheme expiry date (i.e. 22 March 2027).

Fair value of share options determined at the date granted is expensed over the vesting date. During the year ended 31 March 2022, the Group recognised the total expense of HK$2,415,000 (2021: nil) in relation to share options granted by the Company with a corresponding adjustment recognised in the Group's share option reserve. Out of these expenses, expenses of approximately HK$1,036,000 (2021: nil) are related to equity-settled share-based expense to Mr. Raymond Liu.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

38. SHARE BASED PAYMENTS (continued)

(ii) Share option scheme (continued)

Share option granted on 7 July 2017

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:

(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 2022, no expense has been recognised as the fair value of share options has been fully expensed off in prior years. During the year ended 31 March 2021, the Group recognised the total expense of HK$63,000 in relation to share options granted by the Company with a corresponding adjustment recognised in the Group's share option reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

39. 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:

	2022 **HK$'000**	2021 HK$'000
Owned properties in Singapore	**28,963**	29,368
Owned properties in Hong Kong	**28,763**	–
Deposits for life insurance contracts	**13,837**	13,517
	71,563	42,885

Restrictions on assets

In addition, lease liabilities of approximately HK$15,698,000 (2021: HK$18,241,000) are recognised with related right-of-use assets of approximately HK$15,166,000 (2021: HK$17,282,000) as at 31 March 2022. 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 2022

40. PARTICULARS OF PRINCIPAL 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 2022	2021	Principal activities
Axion Global Asset Management Limited (note (iv))	Hong Kong	HK$22,000,000	60%	60%	Provision of asset management services
Axion Global Digits Technology (Hong Kong) Limited (note (iii))	Hong Kong	HK$1	100%	100%	Technology innovation
Axion Global Financial Group Limited (note (iv))	BVI	US$15,000	60%	60%	Investment holding
Axion Global Innovation Centre Limited	Hong Kong	HK$1	100%	100%	Research and development
Axion Global Investment Limited (note (iii))	BVI	US$1	100%	100%	Investment holding
DocuRoom Technology Limited (note (iv))	Hong Kong	HK$100,000	100%	100%	Provision of information technology

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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 2022	2021	Principal activities
Edvance Holdings Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Edvance Information Technology Development Company Limited (note (i)) 安領信息科技發展(深圳)有限公司	The PRC	RMB5,000,000	**100%**	100%	Provision of cybersecurity services
Edvance Technology (HK)	Hong Kong	HK$100,000	**100%**	100%	Distribution of cybersecurity products and provision of cybersecurity services
Edvance Technology (China) Limited (note (i)) 安領科技(深圳)有限公司	The PRC	RMB2,000,000	**100%**	100%	Distribution of cybersecurity products and provision of cybersecurity services
Edvance Technology (Macau) Limited	Macau	Macau Pataca 25,000	**100%**	100%	Distribution of cybersecurity products and provision of cybersecurity services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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 2022	2021	Principal activities
Edvance Technology (Singapore) Pte Limited	Singapore	SG$100,000	**100%**	100%	Distribution of cybersecurity products and provision of cybersecurity services
Edvance Property Investment (Hong Kong) Limited (note (iii))	Hong Kong	HK$1	**100%**	100%	Investment holding
Edvance Property Singapore Investment (Singapore) Pte. Ltd	Singapore	SG$1	**100%**	100%	Investment holding
ESH (Hong Kong) Limited (note (iii))	Hong Kong	HK$1	**100%**	100%	Provision of cybersecurity services
Green Radar Holdings Limited (note (iii))	BVI	US$1	**100%**	100%	Investment holdings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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 2022	2021	Principal activities
Green Radar (Hong Kong) Limited	Hong Kong	HK$100,000	**100%**	100%	Provision of cybersecurity services
Green Radar (SG) Pte Limited	Singapore	SG$100,000	**100%**	100%	Provision of cybersecurity services
Maldun Security Limited (note (ii))	Hong Kong	HK$100,000	**100%**	–	Provision of technology services
Metanova Investment Limited (formerly known as "Silverstone Networks Limited") (note (ii))	BVI	US$1	**100%**	–	Investment holdings
Silverstone Networks (Hong Kong) Limited (note (ii))	Hong Kong	HK$1	**100%**	–	Provision of IT security solution
Wepro180 HK (note (iv))	Hong Kong	HK$1	**100%**	100%	Provision of online marketing and multimedia production 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 acquired during the year ended 31 March 2022.

(iii) These subsidiaries are newly set-up during the year ended 31 March 2021.

(iv) These subsidiaries are newly acquired during the year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All the above subsidiaries are indirectly held by the Company, except Green Radar Holdings Limited is directly held by the Company.

Except for the operations for 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.

The table below shows details of non-wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
AGFG Group	BVI/Hong Kong	**40%**	40%	**(1,727)**	(482)	**4,591**	4,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Summarised financial information for the year ended 31 March 2022 and 2021 in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	As at 31 March	
	2022	2021
	HK$'000	HK$'000
Non-current assets	**10,660**	6,228
Current assets	**6,895**	5,802
Current liabilities	**(470)**	(206)
Non-current liabilities	**(5,607)**	(1,028)
Total equity	**11,478**	10,796
Equity attributable to owners of the Company	**6,887**	6,478
Non-controlling interests of AGFG Group	**4,591**	4,318
	11,478	10,796

	For the year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Revenue	**90**	105
Other income	**1,674**	–
Expenses	**(6,082)**	(1,247)
Loss and total comprehensive expense for the year	**(4,318)**	(1,204)
Loss and total comprehensive expense for the year attributable to:		
– owners of the Company	**(2,591)**	(722)
– non-controlling interests of AGFG Group	**(1,727)**	(482)
Loss and total comprehensive expense for the year	**(4,318)**	(1,204)
Net cash outflow from operating activities	**(4,544)**	(1,972)
Net cash inflow from financing activities	**5,147**	–
Net cash inflow (outflow)	**603**	(1,972)
Capital contribution from non-controlling shareholders of AGFG Group	**2,000**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

41. 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:

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	1	1
Amounts due from subsidiaries	93,345	55,276
	93,346	55,277
Current assets		
Financial assets at FVTPL	263	10,612
Amount due from a subsidiary	68,355	58,355
Other receivables	1,518	376
Bank balances and cash	798	3,031
	70,934	72,374
Current liabilities		
Other payables	4,880	2,680
Amounts due to subsidiaries	66,524	32,285
	71,404	34,965
Net current (liabilities) assets	(470)	37,409
Total assets less current liabilities	92,876	92,686
Capital and reserves		
Share capital (note 31)	10,117	10,049
Reserves	82,759	82,637
Total equity	92,876	92,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

41. 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 2020	63,805	2,732	16,540	83,077
Profit and total comprehensive income for the year	–	–	7,519	7,519
Transfer to accumulated profits upon forfeiture of share options	–	(151)	151	–
Dividends paid	–	–	(10,015)	(10,015)
Issue of new shares under share award scheme (note 31)	1,995	–	–	1,995
Transaction cost attributable to issue of new shares (note 31)	(2)	–	–	(2)
Recognition of share options granted	–	63	–	63
At 31 March 2021	65,798	2,644	14,195	82,637
Profit and total comprehensive income for the year	–	–	3,118	3,118
Transfer to accumulated profits upon forfeiture of share options	–	(58)	58	–
Dividends paid	–	–	(10,049)	(10,049)
Issue of shares upon exercise of share options (note 31)	1,216	–	–	1,216
Issue of new shares under share award scheme (note 31)	3,422	–	–	3,422
Recognition of share options granted	–	2,415	–	2,415
At 31 March 2022	70,436	5,001	7,322	82,759