

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
2022/23**

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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 Director

Mr. Lo Wai Ho Ashley

Independent non-executive Directors

Mr. Ng Tsz Fung Jimmy
Mr. Chan Siu Ming Simon
Mrs. Wong Hung Flavia Yuen Yee
Mr. Yu Kwok Chun Raymond
(Resigned on 31 January 2023)

AUDIT COMMITTEE

Mr. Ng Tsz Fung Jimmy *(Chairman)*
Mr. Chan Siu Ming Simon
Mrs. Wong Hung Flavia Yuen Yee
(Appointed on 31 January 2023)
Mr. Yu Kwok Chun Raymond
(Resigned on 31 January 2023)

REMUNERATION COMMITTEE

Mrs. Wong Hung Flavia Yuen Yee *(Chairman)*
(Appointed on 31 January 2023)
Mr. Liu Yui Ting Raymond
Mr. Chan Siu Ming Simon
Mr. Ng Tsz Fung Jimmy
Mr. Yu Kwok Chun Raymond *(Chairman)*
(Resigned on 31 January 2023)

NOMINATION COMMITTEE

Mr. Chan Siu Ming Simon *(Chairman)*
Mr. Liu Yui Ting Raymond
Mr. Ng Tsz Fung Jimmy
Mrs. Wong Hung Flavia Yuen Yee
(Appointed on 31 January 2023)
Mr. Yu Kwok Chun Raymond
(Resigned on 31 January 2023)

INVESTMENT COMMITTEE

Mr. Liu Yui Ting Raymond *(Chairman)*
Mr. Lee Francis Sung Kei
Mr. Ng Tsz Fung Jimmy

COMPLIANCE OFFICER

Mr. Von John

COMPANY SECRETARY

Mr. Yuen Chun Fai *(HKICPA)*

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

25th Floor, Tower 1
The Millennity
98 How Ming Street
Kwun Tong, Kowloon
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				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
RESULTS					
Revenue	577,494	525,383	410,505	394,330	369,410
Gross profit	137,304	128,407	124,013	104,840	98,495
(Loss) profit before taxation	(24,508)	24,136	43,182	31,018	33,034
(Loss) profit for the year attributable to					
– owners of the Company	(27,478)	22,789	34,739	23,344	26,174
– non-controlling interests	(1,653)	(1,727)	(482)	–	–
(Loss) profit for the year	(29,131)	21,062	34,257	23,344	26,174
Excluding non-recurring listing and transfer of listing related expenses	–	–	–	7,923	–
Normalised (loss) profit for the year attributable to owners of the Company	(27,478)	22,789	34,739	31,267	26,174

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	274,648	261,297	144,672	94,492	81,047
Current assets	374,082	279,046	240,199	241,510	234,303
Non-current liabilities	(162,178)	(125,077)	(78,570)	(68,492)	(60,530)
Current liabilities	(349,308)	(250,655)	(162,125)	(154,596)	(134,974)
Net current assets	24,774	28,391	78,074	86,914	99,329
Net assets	137,244	164,611	144,176	112,914	119,846

FINANCIAL SUMMARY OF THE PAST FIVE YEARS

(continued)

	For the year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
CASH FLOWS					
Net cash from operating activities	23,092	19,951	34,924	42,414	23,798
Net cash used in investing activities	(11,368)	(60,961)	(16,819)	(3,064)	(8,151)
Net cash from (used in) from financing activities	6,133	17,097	(18,278)	(39,364)	(4,484)
Net increase (decrease) in cash and cash equivalents	17,857	(23,913)	(173)	(14)	11,163
Cash and cash equivalents at beginning of the year	49,126	73,383	73,559	73,725	62,391
Effect of exchange rate changes	207	(344)	(3)	(152)	171
Cash and cash equivalents at end of the year	67,190	49,126	73,383	73,559	73,725

	For the year ended 31 March/As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
FINANCIAL RATIOS					
Net profit margin ^{1*}	N/A	4.3%	8.5%	7.9%	7.1%
Return on equity ^{2*}	N/A	14.2%	24.8%	27.7%	21.8%
Return on total assets ^{3*}	N/A	4.2%	9.0%	9.3%	8.3%
Current ratio ⁴	1.1	1.1	1.5	1.6	1.7
Quick ratio ⁵	1.0	1.1	1.5	1.5	1.7
Gearing ratio ⁶	85.3%	43.4%	28.1%	31.0%	22.1%
Debt to equity ratio ⁷	36.4%	13.6%	Net Cash	Net Cash	Net Cash
Interest coverage ^{8*}	N/A	13.3	33.1	22.3	52.1
Average inventory turnover days ⁹	13.4	8.6	8.4	10.2	12
Average trade receivables turnover days ¹⁰	75	58	69	83	85
Average trade payables turnover days ¹¹	56	38	45	47	45

FINANCIAL SUMMARY OF THE PAST FIVE YEARS

(continued)

Notes:

- * Excluding non-recurring 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.
 9. Average inventory turnover days is calculated using the arithmetic mean of the beginning and closing balances of inventories for the relevant year divided by cost of sales for the relevant year and multiplied by 365 days in the relevant year.
 10. Average turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade receivables is the arithmetic mean of the beginning and the ending balance for the relevant year.
 11. Average turnover days of trade payables is calculated using the average balance of trade payables divided by cost of sales for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade payables is the arithmetic mean of the beginning and the ending balance for the relevant year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors ("Board") of the Company, I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2023 ("FY2023").

It is a testament to our management team, staff and partners that our revenue continues to grow by close to 10% in the past fiscal year 2023 against the backdrop of several quarters of negative GDP growth in Hong Kong. The company was laser focused on delivering projects and implementing cybersecurity solutions for our customers during the challenging operating environment last year. We have much to look forward to this fiscal year as we put COVID restrictions behind us and rise to the challenge of continuing to provide the best cybersecurity products and services to our customers to stay ahead of cyber threats.

The cybersecurity market conditions continue to be very dynamic. Notably, we have all witnessed artificial intelligence's potential and disruptive power coming to the fore, and rising operating costs across all industries. As a result, customer preferences are evolving towards more cost-effective and locally relevant solutions. We are committed to serving our customers and delivering a more comprehensive range of products to help enterprises adopt effective cybersecurity, which remains a mission-critical aspect of their businesses. We are reinvesting our profits and have significantly increased our research and development budget during the year to develop our technologies to meet the needs of our enterprise customers and scale our subscription based solutions for smaller enterprises to adopt effective cybersecurity more easily.

I am also delighted to report that our cybersecurity solutions under the Green Radar brand continued to gain traction during the year. Our effort in securing leading managed security service provider resellers have proven effective in increasing the sales of the brand's hero product grMail. In the upcoming year, the Group will actively pursue geographical expansion of sales and distribution in other South East Asia markets.

It has been a mixed year on the digital assets financial services and investment business front. Bad industry actors have exacerbated the decline in investor confidence in the digital asset industry. With regulators stepping up efforts to regulate the industry, we saw a rebound in investor sentiment in the first quarter of the calendar year, and we expect the momentum to continue as the Hong Kong government has openly put their support to foster the growth of the Web3 and digital asset industry in Hong Kong. Our strategic investment in the holding company of Hong Kong Digital Asset Ex Limited ("HKbitEX") and our fully licensed subsidiary company, Axion Global Asset Management Limited, are well positioned to serve investors with innovative investment products in the dynamic 24/7 digital asset market.

CHAIRMAN'S STATEMENT (continued)

Looking ahead, we expect the cybersecurity market conditions to remain somewhat turbulent on the geopolitical, economic, and technological front. Encouragingly, the demand for cybersecurity products and services continues, and the sales pipeline for our cybersecurity products and services remains strong. The outlook for the digital assets services and investment businesses are taking shape as conditions are ripe for the broader adoption of digital assets. We will focus on building robust partner ecosystems for products at our different lines of business and continue to leverage technology in product development and optimise our business processes. We are also committed to investing in our people, enabling them to thrive, and being proud to work for the Group. I am excited that the Group is relocating our company headquarters to new office premises at The Millennity, Kwun Tong, providing our staff with state-of-the-art and engaging working environments.

On behalf of the Board, I would like to express our sincere appreciation to our staff for their dedication and commitment to delivering strong business growth in the challenging environment last year. I would also like to express our gratitude to our shareholders for their unwavering support for the Group.

LIU Yui Ting Raymond

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 21 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business overview

The Group demonstrated our execution ability and agility to overcome challenges for FY2023. The digital transformations happening in commerce and the emergence of game-changing technologies in artificial intelligence and web3 require the Group to be leaders in sectors that we operate in today whilst taking measures to ensure our success continues in the future. The Group achieved record-high revenue of approximately HK\$577.5 million in the fiscal year due to strong demand in the cybersecurity product and services business, and despite a challenging year for our digital assets services and investment business, the Group is confident in our strategy and is optimistic about the business outlook.

Cybersecurity Products and Services

In FY2023, we saw robust demand in the Hong Kong market and recorded a revenue growth of approximately 9.9%. This growth was attributed to the demand across different client sectors especially in financial services industry (FSI) and government, and the high stickiness of our services from our customer base. The growth was particularly impressive as the business maintained a gross profit margin of around 23.8% despite the challenging macro-economic environment in the past year.

The cybersecurity market is evolving rapidly and it is our key commitment to provide relevant products and services that fit the client's changing needs. The Group expanded its product offerings to more Chinese branded products such as Tianji Partners (天際友盟), Sangfor (深信服) and Venustech (啟明星辰) as we observed certain client segments have increased preference for mainland cybersecurity products due to their localised features and pricing. At the same time, the increased adoption of cloud based security solutions has become a key driver of our cybersecurity business. In particular, it has helped the shift of our cybersecurity services business to a recurring revenue model and to reflect our expertise and know-how in project implement and servicing.

We also saw strong demand in the Green Radar business, which delivered encouraging year-on-year revenue growth. Our established channel partner network in Hong Kong has helped to shorten the sales cycle and made it easier for our clients to adopt grMail, the flagship product in the Green Radar suite of solutions. Enterprises were also very receptive to our newly launched cybersecurity awareness assessment and training service, grAssessment, which has already become a significant revenue contributor to the Green Radar business.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Digital Assets Financial Services and Investment

The digital asset market went through a tumultuous time in FY2023. The sharp cyclical decline of the cryptocurrency market from its all time highs in early 2023 exposed the malpractices of several operators globally in the industry. Our commitment towards operating within the licensed and regulated digital assets business was unwavering. With the roll out of the Virtual Asset Service Provider licensing regime by the government and regulators in Hong Kong, we believe licensed players would benefit significantly from increased investor confidence and market interests in digital assets. Our non-wholly owned subsidiary, Axion Global Asset Management Limited (“AGAM”), a licensed digital asset management company, is developing our portfolio management systems and establishing distribution partnerships to help investors to access this emerging asset class. We foresee a robust industry recovery and a strong rebound in investment sentiment heading into the new fiscal year.

While the revenue robust industry performance of the Group was strong in FY2023, the Group’s results recorded as loss as a result of the fair value loss on financial assets at fair value through profit and loss (“FVTPL”) of approximately HK\$29.5 million, which were mainly due to fair value loss on the unlisted investment of the holding company of HKbitEX. The Group remains optimistic about the future potential of its investments and will make decisions on investment holdings that are both strategic in nature and are in the long term best interest of the Group and our shareholders.

OUTLOOK

The macroeconomic environment is likely to continue to be challenging in the year ending 31 March 2024. Demand for cybersecurity should be strong as guarding against cyber threats remain mission critical and top of mind for enterprises. The Group’s strategy of providing the most relevant and best-in-class cybersecurity products and focusing on delivering cybersecurity protection via a service and recurring revenue model will continue to resonate with our customers. The Group will continue to strengthen service level and ensure customers are able to adopt cybersecurity product in the most efficient and effective manner, while actively optimising our product range to cope with the changing demands in the market.

Green Radar brand of products will play an increasingly important role in the execution the Group strategy. Beyond the success of our email protection products, the Group will look to launch new solution offerings under the brand to address large addressable markets that are accessible and cost-effective for our target customers to adopt. In addition, the Group will actively pursue geographical expansion of sales and distribution in other South East Asia markets.

On the digital asset front, the Group believes the Hong Kong government’s push for the territory to become a global digital asset hub will create favourable conditions for market participants to operate and attract investments from all parts of the world. This will undoubtedly benefit AGAM and our investments that we have made in the digital asset industry.

The Group would like to express our sincere gratitude to our employees, customers, and shareholders for their unwavering support. As we look to the future, we are excited about the opportunities that lie ahead and are confident in our ability to navigate the ever-evolving landscape.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$52.1 million, or approximately 9.9% from approximately HK\$525.4 million for the year ended 31 March 2022 ("FY2022") to approximately HK\$577.5 million for FY2023. The increase was mainly attributable to the continuous strong demand for our core cybersecurity products and cybersecurity services related businesses.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.9 million, or approximately 6.9% from approximately HK\$128.4 million for FY2022 to approximately HK\$137.3 million for FY2023. Our gross profit margin decreased from approximately 24.4% for FY2022 to approximately 23.8% for FY2023 slightly. The increase in gross profit compared with FY2022 was due to the continuous growth of revenue from cybersecurity products and cybersecurity services businesses. The lowered gross profit margin compared with FY2022 was mainly due to the product mix in cybersecurity products segment which generated comparatively lower gross profit margin in FY2023.

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 FY2023, mainly represented the fair value loss on financial assets at FVTPL of approximately HK\$29.5 million (FY2022: fair value gain on financial assets at FVTPL of approximately HK\$14.6 million). Such significant fair value loss on financial assets at FVTPL was mainly due to the fair value loss on the unlisted investment of the holding company of HKbitEX of approximately HK\$24.8 million (FY2022: fair value gain on this investment of approximately HK\$14.6 million) in FY2023.

Distribution and selling expenses

Our distribution and selling expenses decreased slightly by approximately HK\$2.9 million, or approximately 7.5% from approximately HK\$39.0 million for FY2022 to approximately HK\$36.1 million for FY2023. Such slight decrease was due to decrease in marketing staff costs in FY2023.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Administrative and other expenses

To cope with the continuous expansion of the Group and the demand of our cybersecurity products, the administrative and general operation expenses increased by approximately HK\$8.3 million, or approximately 10.1% from approximately HK\$81.9 million for FY2022 to approximately HK\$90.2 million for FY2023 mainly due to the combined effects of the increase in (i) administrative staff costs by approximately HK\$6.6 million; (ii) research and development costs by approximately HK\$10.0 million for development of technology; (iii) general operating costs by approximately HK\$1.1 million; which was offset by the decrease in (iv) legal and professional fees by approximately HK\$4.9 million; and (v) equity-share-based expense by approximately HK\$4.5 million.

Finance costs

Our finance costs increased by approximately HK\$1.4 million, or approximately 70.7% from approximately HK\$2.0 million for FY2022 to approximately HK\$3.4 million for FY2023, such increase was mainly due to increase in bank borrowings and effective interest rates.

Taxation

Our taxation increased by approximately HK\$1.5 million, or approximately 50.4% from approximately HK\$3.1 million for FY2022 to approximately HK\$4.6 million for FY2023. Such increase was mainly due to the decrease in recognition of tax losses as deferred tax assets of approximately HK\$2.3 million offset by the decrease in provision of taxation for FY2023 by approximately HK\$0.9 million.

Loss for the year attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$27.5 million in FY2023 whereas the profit attributable to owners of the Company of approximately HK\$22.8 million was incurred in FY2022. The change from net profit to net loss was mainly attributable to (i) the fair value loss on financial assets at FVTPL of approximately HK\$24.8 million in relation to the unlisted investment of holding company of HKbitEX on the valuation report prepared by a professional valuer as at 31 March 2023 (FY2022: fair value gain on financial assets at FVTPL of this investment of approximately HK\$14.6 million); and (ii) the increase in administrative expenses as mentioned above.

Cash flow

The net cash generated from operating activities increased by approximately HK\$3.1 million from approximately HK\$20.0 million in FY2022 to approximately HK\$23.1 million in FY2023, representing an increase of approximately 15.7%.

Dividend

In view of 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 FY2023.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2023 and 2022, we had cash and cash equivalents of approximately HK\$67.2 million and HK\$49.1 million, respectively. The Group's gearing ratio was approximately 85.3% and 43.4% as at 31 March 2023 and 2022, respectively.

CAPITAL STRUCTURE

As at 31 March 2023, the capital structure of the Company comprised issued share capital and reserves.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had no significant capital commitment in respect of property and equipment contracted but not provided for (31 March 2022: Nil).

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 to 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 2023.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, the financial assets at FVTPL of the Group amounted to approximately HK\$14.6 million (31 March 2022: HK\$42.3 million), mainly including unlisted preference shares investment of approximately HK\$13.1 million (31 March 2022: HK\$37.9 million) and unlisted fund investment of approximately HK\$1.5 million (31 March 2022: HK\$4.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2023; or (ii) investments which recorded realised or unrealised gain/(loss) of over HK\$5 million during FY2023 as significant investments.

Description of investments	Note	Carrying amount as at 1 April 2022	Acquisition and disposal, net during the year	Fair value loss recognised in profit and loss, net during the year	Carrying amount as at 31 March 2023	Percentage
						to the Group’s audited total assets as at 31 March 2023
		HK\$’000	HK\$’000	HK\$’000	HK\$’000	
Financial assets at FVTPL						
Unlisted preference shares investment, at fair value						
– investment in the holding company of HKbitEX	(a)	37,854	–	(24,781)	13,073	2.02%
Unlisted fund investment		4,143	–	(2,639)	1,504	0.23%
Equity securities listed in Hong Kong and the United States		263	1,840	(2,103)	–	–
Total		42,260	1,840	(29,523)	14,577	2.25%

Note:

- (a) This unlisted preference shares 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 preference shares 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 2023, the fair value of this unlisted preference shares investment was approximately HK\$13.1 million based on the valuation report prepared by an independent professional valuer.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during FY2023.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had no material contingent liabilities (as at 31 March 2022: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in United States Dollars. The sales of the Group are predominated in Hong Kong Dollars. The Group will continue to monitor the risk related to foreign exchanges. The Group did not use any hedging contracts to engage in speculative activities during FY2023.

CHARGE ON GROUP'S ASSETS

As at 31 March 2023, 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 2023, the Group had 134 employees (as at 31 March 2022: 132 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\$93.2 million and HK\$97.8 million for FY2023 and FY2022, 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 54, 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 45, 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 58, 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.à.r.l. from November 2013 to February 2015, and he was responsible for service delivery management.

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

Mr. Lam Tak Ling (林德齡) (“Mr. Lam”), aged 52, 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 58, 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. Since November 2022, Mr. Ashley Lo has been appointed as an independent non-executive director of Wong’s International Holdings Limited (Stock code: 99), a company whose shares are listed on the main board of the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

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. Ng Tsz Fung Jimmy (吳子豐) (“Mr. Jimmy Ng”), aged 60, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

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.

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 19 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 55, was appointed as an independent non-executive Director on 23 March 2020. She is a member of our nomination committee and audit committee and is the chairman of our remuneration committee.

Ms. Flavia Hung 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.

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.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT

Ms. Tsai Shuen Shuen (蔡旋旋) (“Ms. Tsai”), aged 47, 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 47, 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 cybersecurity business.

Mr. Ma has over 22 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 Networks, a Hewlett Packard Enterprise Company, 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 for 14 years.

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 46, 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 43, joined the Group in December 2003, she is the strategic projects and corporate development director since February 2020. She joined the Group as an IT specialist and was promoted to a business operation manager in April 2008. From March 2017 to February 2020, she was the internal control and compliance director, responsible for managing internal compliance matters of the Group.

Ms. Law has over 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 44, 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 20 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 FY2023.

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 interests of shareholders of the Company ("Shareholders").

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

In the opinion of the Directors, save for the deviation of code provision C.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 FY2023 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

Corporate Purpose, Values and Culture

The Group's purpose is to advance the adoption of cybersecurity and fintech innovations. Building on our foundation as a market leader in cybersecurity solutions, we fostered a culture of that promote creativity, opportunities to exchange ideas and cross-fertilisation of innovative advancements and solutions to enhance long-term sustainable growth and value as a principal objective of the Company. Guided by the Group's core values, the Board plays a leading role in defining the purpose and strategic direction of the Group, sets the tone and shapes the corporate culture of the Company to ensure all businesses across the Group are aligned with the same purpose.

Corporate Strategy

The principal objective of the Company is to enhance long-term total return for all its stakeholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings and cash flow to ensure the Group's financial strength and stability. The Group executes disciplined management of revenue growth, margin and costs, capital and investments to return ratio targets and earnings. The Chairman's Statement and the Business Review contained in this annual report, include discussions and analyses of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objectives. Further information on the sustainability initiatives of the Group and its key relationships with stakeholders can also be found in the standalone environmental, social and governance report of the Group.

CORPORATE GOVERNANCE REPORT (continued)

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 arrangements, functions and work tasks are periodically reviewed. Where applicable, the executive Directors and the senior management of the Group shall report to the Board and 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 ("Board Committees"). Further details of the Board Committees are set out below in this report.

The Board is also responsible for, among others, performing the corporate governance duties as set out in the code provision A.2.1 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.

CORPORATE GOVERNANCE REPORT (continued)

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.

The Company recognises that Board independence is essential to good corporate governance. As part of the established governance framework, the Group has in place effective mechanisms that underpin a strong independent Board and that independent views and input from Directors are conveyed to the Board. The governance framework and mechanisms are kept under regular review to align with international best practice, ensuring their effectiveness. In June 2023, the Board conducted a review and considered that such mechanisms were properly implemented during FY2023 and were effective.

The Board process, ranging from agenda setting, provision of information and focus on constructive debates and discussions, facilitates effective and active participation by our non-executive Director and all INEDs. Each year, our Chairman meets with the INEDs once without the presence of other Directors, enabling them to express their views outside the boardroom.

The Board, led by our Chairman and Chief Executive Officer, Mr. Raymond Liu, determines, monitors and oversees our Group-wide strategies, policies, annual budgets, business plans and culture, evaluates the performance of the Company, and supervises the management of the Company. Our executive Directors and senior management of the Group is responsible for the day-to-day operations of the Group under the leadership of our Chairman and Chief Executive Officer, and putting in place mechanisms for ensuring that the desired culture of the Company is understood and shared at all levels of the Group.

Board Performance

The Company regards Board evaluation as a critical tool to assess the effectiveness and efficiency of the Board. The Board has carried out a self-assessment this year led by the remuneration committee, by way of interviews with each Director separately to evaluate the performance of the Board during the year. The objective of the evaluation is to ensure that the Board and its committees continue to act effectively in fulfilling the duties and responsibilities expected of them, and to develop action plans for improvement. The Directors' recommendations have been analysed, discussed and prioritised. Based on the performance review, the Board considers its existing practice as effective and will arrange where appropriate more workshops and training for Directors. The Board is also satisfied that it has met its performance objectives and each Director has contributed positively to the overall effectiveness of the Board.

CORPORATE GOVERNANCE REPORT (continued)

Board Composition

The Board comprised the following Directors during FY2023 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 Director

Mr. Lo Wai Ho Ashley

Independent non-executive Directors

Mr. Ng Tsz Fung Jimmy

Mr. Chan Siu Ming Simon

Mrs. Wong Hung Flavia Yuen Yee

Mr. Yu Kwok Chun Raymond (Resigned on 31 January 2023)

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 three (3) 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 FY2023, 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.

CORPORATE GOVERNANCE REPORT (continued)

Non-executive Director and independent non-executive Directors

The participation of non-executive Director and INEDs in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, resources, key appointments, conflicts of interests and management process to ensure that accountability, the interests of all Shareholders of the Company and standards of conduct 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.

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.

The non-executive Director 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 ("2023 AGM") and be eligible to offer themselves for re-election at the 2023 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 2023 AGM. The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles. 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.

CORPORATE GOVERNANCE REPORT (continued)

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Pursuant to Code Provision C.1.4 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the 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 FY2023 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 Director		
Mr. Lo Wai Ho Ashley	✓	✓
Independent non-executive Directors		
Mr. Ng Tsz Fung Jimmy	✓	✓
Mr. Chan Siu Ming Simon	✓	✓
Mrs. Wong Hung Flavia Yuen Yee	✓	✓
Mr. Yu Kwok Chun Raymond (Resigned on 31 January 2023)	✓	✓

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 C.5.1 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 Director						
Mr. Lo Wai Ho Ashley	1/1	4/4	N/A	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Ng Tsz Fung Jimmy	1/1	4/4	3/3	1/1	1/1	1/1
Mr. Chan Siu Ming Simon	1/1	4/4	3/3	1/1	1/1	N/A
Mrs. Wong Hung Flavia Yuen Yee	1/1	4/4	2/2	1/1	1/1	N/A
Mr. Yu Kwok Chun Raymond (Resigned on 31 January 2023)	1/1	3/3	1/1	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 C.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 FY2023, 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.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public listed companies and major appointments as well as update the Company on any subsequent changes.

CORPORATE GOVERNANCE REPORT (continued)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Our Chairman and Chief Executive Officer, Mr. Raymond Liu is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and determines, monitors and oversees our Group-wide strategies, policies, annual budgets, business plans and culture, evaluates the performance of the Company, and supervises the management of the Company. He is also responsible for ensuring Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account matters proposed by Directors and the Company Secretary, and active participation by our non-executive Director and all INEDs. He actively encourages the Directors to voice their opinion and be fully engaged in the Board's affairs to ensure the Board's effective functioning. The Board, under his leadership, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with Shareholders and other stakeholders.

Working with our executive Directors and senior management of the Group, Mr. Raymond Liu presents annual budgets to the Board for consideration and approval, and ensure that the Board is fully support of the funding requirements of the Group. With the assistance of our senior management of the Group, our executive Directors ensure that the funding requirements of the businesses are met and monitor the operating and financial performance of the businesses against plans and budgets.

Pursuant to the code provision C.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 FY2023, it constituted a deviation from code provision C.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.

CORPORATE GOVERNANCE REPORT (continued)

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 C.1.6, 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 9 August 2022.

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 Ms. Flavia Hung. 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 D.3.3 of the CG code, the members of the AC should liaise with the board and senior management and meet the external auditor at least twice a year. During FY2023 and up to the date of this annual report, the members of the AC met twice with the external auditor. During FY2023 and up to the date of this annual report, the individual attendance records of the each member at the meeting of the AC is set out on page 29 of this annual report.

The primary duties of the AC are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor 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.

CORPORATE GOVERNANCE REPORT (continued)

Up to the date of this annual report, the AC met three times, 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;
- monitor the integrity of the interim and annual financial statements, results announcements and reports, including any changes in accounting policies and practices; major judgmental areas; significant adjustments resulting from audit; the going concern assumptions and any qualifications; compliance with accounting standards; and compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 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 discussion of the risk management and internal control system of the Group as well as monitor the internal control effectiveness;
- 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 including the nature and scope of audit and reporting obligations as well as engagement on external auditor to supply non-audit services; and
- review the external auditor's management letter, if any, any material queries raised by the auditor to management about accounting records, financial accounts on systems of control and management's response.

The Board is of the view that the AC has properly discharged its duties and responsibilities during FY2023 and up to the date of this report.

During FY2023, 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.

CORPORATE GOVERNANCE REPORT (continued)

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 Ms. Flavia Hung. 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;
- 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 Ms. Flavia Hung. Ms. Flavia Hung currently serves as the chairman of the RC.

CORPORATE GOVERNANCE REPORT (continued)

Pursuant to the code provision E.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the FY2023 is set out below:

In the band of	Number of Individuals
Nil to HK\$500,000	4
HK\$500,001 to HK\$1,000,000	–
HK\$1,000,001 to HK\$1,500,000	3
HK\$1,500,001 to HK\$2,000,000	–
HK\$2,000,001 to HK\$2,500,000	5
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,500,001 to HK\$4,000,000	1

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for FY2023 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 FY2023 and up to the date of this annual report, the individual attendance records of the each member at the meeting of the RC is set out on page 29 of this annual report.

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 FY2023;
- reviewed all the senior management's remuneration paid during FY2023 with reference to the Board's corporate goals and objectives;
- considered the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- reviewed and made recommendation to the Board on the remuneration packages of individual Directors and senior management for the coming year;
- reviewed and ratified service contracts signed by the Directors;
- conducted a board evaluation to assess the effectiveness and efficiency of the Board by way of interviews with each Director separately; and
- reviewed and considered matters relating to share schemes under Chapter 17 of the Listing Rules.

CORPORATE GOVERNANCE REPORT (continued)

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.

During FY2023, the members of the IC met once. During FY2023 and to the date of this annual report, the individual attendance records of each member at the meeting of the IC is set out on page 29 of this annual report.

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 diversified 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

The Company maintains its commitment to gender diversity within its business, it continues to review and assess the appropriate level of gender diversity and composition that aligns with the strategy of the Company. The Board is of the view that it is not necessary to set numerical targets and timeline for Board gender diversity for the time being. The Company shall continue to actively seek to ensure it has an appropriate mix of diversity and has a number of initiatives in place to meet its strategic imperative of ensuring it has a diverse Board. 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.

CORPORATE GOVERNANCE REPORT (continued)

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.

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 FY2023, the individual attendance records of each member of the NC at the meeting of the NC is set out on page 29 of this annual report.

BOARD NOMINATION POLICY

The Company has adopted a nomination policy for the 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;

CORPORATE GOVERNANCE REPORT (continued)

- f. the number of existing directorships and other commitments that may demand the attention of the candidate;
- g. requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 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 FY2023, 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 FY2023, 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 auditor to the Shareholders are set out in the section headed "Independent Auditor's Report" on pages 61 to 65 of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

Auditor's 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 FY2023, 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	2023 HK\$'000	2022 HK\$'000
Audit services	1,825	1,678
Non-audit services	140	825

Note: Non-audit services, includes tax compliance service and work in relation to preliminary result announcement for FY2023.

CORPORATE GOVERNANCE FUNCTIONS

The Board has carried out its duties and responsibilities as set out in A.2.1 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 FY2023 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 FY2023 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, 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. We have also established a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, to the AC about possible improprieties in any matter related to the Group.

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 FY2023, the Group appointed Apex Risk Management Limited ("Apex") and conducted its internal control system review once every year covering the period for FY2023:

- 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, if any; 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.

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.

CORPORATE GOVERNANCE REPORT (continued)

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 2023 AGM of the Company will be held on or before 30 September 2023, 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 29 June 2023, the Board proposed to amend the share award scheme of the Company ("Share Award Scheme") in order to, amongst others, (i) to revise the scope of eligible participants; (ii) to adopt the scheme mandate limit; (iii) to adopt the service provider sublimit under the scheme mandate limit; (iv) to bring the requirement of independent Shareholders' approval for refreshment of the scheme mandate limit and the service provider sublimit under the scheme mandate limit; (v) to bring the requirement of individual limits for grant of awards to the eligible participants; (vi) to elaborate on the scope of criteria for performance targets attached to the awards granted, including a mixture of key performance indicators components; (vii) to provide the grant of awards to certain eligible participants may be subject to a vesting period shorter than 12 months under specific circumstances; (viii) to bring the requirement for Shareholders' approval for any amendments to the terms of the Share Award Scheme in line with Chapter 17 of the Listing Rules; (ix) to include the necessary carve-outs on the transferability of the awards; and (x) to include other amendments for house-keeping purposes and to better align the wording of the Share Award Scheme with that of the Listing Rules.

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.

Shareholders to convene an extraordinary general meeting

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

CORPORATE GOVERNANCE REPORT (continued)

Procedures for directing 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: 25th Floor, Tower 1, The Millennity, 98 How Ming Street, Kwun Tong, Kowloon, 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 put forward proposals

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 by a Shareholder. 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.

Shareholders may put forward proposals at general meetings by sending written notice of their proposals to the Company Secretary at the registered office of the Company, or by email to info@edvanceintl.com. Details of the procedures for putting forward proposals by Shareholders are set out on the website of the Company.

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;

CORPORATE GOVERNANCE REPORT (continued)

- 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.

Corporate Communications Policy

The Shareholders Communication Policy ensures that Shareholders and the investment community are provided with ready, equal, and timely access to information about the Group (including its financial performance, strategic goals and plans, material developments, governance and risk profile), and also allows them to engage actively with the Group. The policy sets out various communication channels including, among others, the website of the Company and the general meetings, through which Shareholders, both individual and institutional, may communicate with and provide feedback to the Company from time to time. The policy is regularly reviewed to ensure its effectiveness and is posted on the website of the Company.

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.

Effective engagement with Shareholders is a vital component of the Company as a listed company. Throughout the year, the Company has continued to deliver timely, balanced, clear, and transparent communications with its Shareholders and other investors. Details of the Shareholders and investor engagement and communication activities are set out in the Corporate Governance Report of this Annual Report and further details can be found on the investor relations section of the Stock Exchange's website. The Board has reviewed the Shareholders and investor engagement and communication activities conducted in FY2023 and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company were adopted and effective on 9 August 2022 in order to, among other things, (i) bring the relevant provisions of the memorandum and articles of association of the Company in line with recent changes to the Listing Rules and 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, electronic or hybrid means; and (iii) make various consequential and housekeeping amendments to the memorandum and articles of association of the Company.

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).

DIRECTORS' REPORT

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for FY2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the distribution of cybersecurity products and the provision of cybersecurity services in Hong Kong, Macau, the People's Republic of China and Singapore, and digital assets financial services and investment business.

BUSINESS REVIEW

A review of the business of the Group during FY2023 and a discussion on the Group's future business development, and also the Group's performance during FY2023 are set out in the "Management Discussion and Analysis" on pages 9 to 15 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 2019, 2020, 2021, 2022 and 2023, 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 FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this annual report.

The Board did not recommend to declare a final dividend for FY2023, in order to maintaining sufficient liquidity for the Group's long-term development, in light of the recent uncertainties in the market (FY2022: Nil).

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 2023 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 2023, amounted to approximately HK\$84,247,000 (2022: approximately HK\$78,498,000). 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 Ms. Flavia Hung. 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 FY2023.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2023, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 13.4% and 42.1% (FY2022: approximately 18.8% and 49.7%) of the Group's total revenue for the year, respectively.

During FY2023, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 32.0% and 76.8% (FY2022: approximately 30.1% and 75.9%) 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 FY2023 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 Director

Mr. Lo Wai Ho Ashley

Independent non-executive Directors

Mr. Ng Tsz Fung Jimmy

Mr. Chan Siu Ming Simon

Mrs. Wong Hung Flavia Yuen Yee

Mr. Yu Kwok Chun Raymond (Resigned on 31 January 2023)

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. Liu Yui Ting Raymond, Mr. Chan Siu Ming Simon and Mrs. Wong Hung Flavia Yuen Yee will retire and be eligible to offer themselves for re-election at the 2023 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 16 to 21 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 2023 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 FY2023, 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 52 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 FY2023 or at any time during the FY2023.

DIRECTORS' REPORT (continued)

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

As at 31 March 2023, 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. Lam Tak Ling ⁽⁴⁾	Interest of a controlled corporation	22,500,000	–	2.22%
Mr. Francis Lee ⁽⁵⁾	Interest of a controlled corporation	19,700,000	–	1.95%

Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the Company in issue (1,011,738,000 Shares) as at 31 March 2023.
- (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 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.
- (5) 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 19,700,000 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 2023 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 FY2023 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 2023 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 ⁽¹⁾
Success Vision ⁽²⁾	Beneficial owner	570,000,000	56.34%
Ms. Cheng Chui Ying ⁽³⁾	Interest of spouse	575,500,000	56.88%
Ms. Lin Fai ⁽⁴⁾	Interest of spouse	570,000,000	56.34%
Mind Bright ⁽⁵⁾	Beneficial owner	60,000,000	5.93%
Ms. Cheung Mo Chi ⁽⁶⁾	Interest of spouse	60,000,000	5.93%

DIRECTORS' REPORT (continued)

Notes:

- (1) The percentage has been complied based on the total number of ordinary shares of the Company in issue (1,011,738,000 Shares) as at 31 March 2023.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.

Save as disclosed above, as at 31 March 2023 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 FY2023 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.

DIRECTORS' REPORT (continued)

PERMITTED INDEMNITY PROVISION

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

COMPETING INTERESTS

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 FY2023 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, 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 ("Participant(s)"). The Share Award Scheme shall be valid and effective for a period of 10 years commencing from 1 September 2020 ("Share Award Scheme Period").

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.

The Board shall not make any share award to a Participant that would result in the number of shares awarded by the Board in aggregate under the Share Award Scheme, any other share award schemes and share option schemes, representing 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 Share Award Scheme Period.

The aggregate value of shares which may be subject to an award or awards to a Participant at any one time shall not exceed HK\$5 million as at the date of the award (based on the closing price of the shares on the business day immediately preceding the date of award).

Subject to the Listing Rules and the terms and conditions of the Share Award Scheme, the Board shall have the right determine the terms on which the awards are granted, including the amount payable on acceptance of the award or vesting periods, if any. The Board shall determine the number of shares by reference to (a) the monthly salary of the eligible employee; (b) the past contribution of the eligible employee to the Group; (c) the experience of eligible employee possessed in their respective field; (d) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) trading days immediately preceding the relevant offer date; and (e) the duration of employment of the eligible employee in the Group.

DIRECTORS' REPORT (continued)

The Share Award Scheme shall be valid and effective for 10 years from its adoption date, 1 September 2020, however, as the Share Award Scheme was approved and adopted by the Board prior to the effective date of the “Consultation Paper on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers” published by the Stock Exchange on 29 July 2022 (“Consultation Paper”) and the new Chapter 17 of the Listing Rules, any share awards to be granted under the Share Award Scheme going forward (if any) shall be subject to the transitional arrangements and requirements for existing share schemes under the Consultation Paper and the new Chapter 17 of the Listing Rules.

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

During FY2023, no shares of Company was allotted and issued under the Share Award Scheme.

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.

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.

Subject to the Listing Rules and the terms and conditions of the Share Option Scheme, the Board may, from time to time, at its absolute discretion, set a minimum vesting period for the share options to be granted.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years until 22 March 2027.

DIRECTORS' REPORT (continued)

As the Share Option Scheme was approved and adopted by the Board prior to the effective date of the Consultation Paper and the new Chapter 17 of the Listing Rules, any share options to be granted under the Share Option Scheme going forward (if any) shall be subject to the transitional arrangements and requirements for existing share schemes under the Consultation Paper and the new Chapter 17 of the Listing Rules.

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.

Details of the movements of share options of the Company ("Share Options") granted, exercised or cancelled/forfeited during FY2023 and outstanding as at 31 March 2023 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 2022	Grant during the year	Exercise during the year	Forfeited during the year	Outstanding at 31 March 2023
31 March 2023	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 2023	Employees	7 July 2017	0.65	7 July 2018 to 6 July 2023	2,220,000	-	-	(760,000)	1,460,000
		7 July 2017	0.65	7 July 2019 to 6 July 2024	2,097,000	-	-	(585,000)	1,512,000
		7 July 2017	0.65	7 July 2020 to 6 July 2025	2,097,000	-	-	(585,000)	1,512,000
Sub-total					6,414,000	-	-	(1,930,000)	4,484,000

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 2022	Grant during the year	Exercise during the year	Forfeited during the year	Outstanding at 31 March 2023
31 March 2023	Employees	21 April 2021	0.582	21 April 2022 to 22 March 2027	3,204,000	-	(72,000)	(528,000)	2,604,000
		21 April 2021	0.582	21 April 2023 to 22 March 2027	2,403,000	-	-	(423,000)	1,980,000
		21 April 2021	0.582	21 April 2024 to 22 March 2027	2,403,000	-	-	(423,000)	1,980,000
Sub-total					8,010,000	-	(72,000)	(1,374,000)	6,564,000
Total for employees					14,424,000	-	(72,000)	(3,304,000)	11,048,000
Total					19,924,000	-	(72,000)	(3,304,000)	16,548,000

During FY2023, there was 72,000 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 16,548,000 Shares, representing approximately 1.64% 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 FY2023 and up to the date of this annual 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 22 to 44 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCES

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

Details of the environmental policies and performance is contained in the standalone environmental, social and governance report of the Group.

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 FY2023 and up to the date of this annual report, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Group has complied with the material requirements under the Listing Rules, SFO and the Cayman Companies' Law. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the Corporate Governance Report of this Annual Report.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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

- we rely on our vendors to grant us the authorisation for the distribution of 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)

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.

CHARITABLE DONATIONS

Donations made by the Group during FY2023 was HK\$53,000.

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 FY2023.

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.

AUDITOR

The consolidated financial statements for FY2023 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company, who will retire at the conclusion of the 2023 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 2023 AGM.

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

Hong Kong, 21 June 2023

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 66 to 182, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, 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

Impairment assessment of exclusive rights

We identified the impairment assessment of exclusive rights as a key audit matter due to the significance of the balance of intangible assets to the Group's total assets and the significant degree of judgement and assumptions made by the group management in determining the value in use of the cash-generating unit ("CGU").

As disclosed in notes 5 and 18(b) to the consolidated financial statements, the Group had exclusive rights of HK\$31,413,000 with impairment indicator as at 31 March 2023. Management conducted an impairment assessment by comparing the recoverable amounts of the CGU to which the exclusive rights belong which is estimated based on value in use calculation, with its carrying amount. The value in use calculation requires the management of the group to estimate the future cash flows expected to arise from the CGU, which includes key assumptions and judgement on cash flow forecasts, including long-term growth rate and the pre-tax discount rate.

Based on the impairment assessment performed by the management, no impairment has been recognised in respect of exclusive rights for the year ended 31 March 2023.

Our procedures in relation to the impairment assessment of exclusive rights included:

- Obtaining an understanding of the key controls of the Group over the impairment assessment process on exclusive rights including the preparation of cash flow forecasts and determination of related significant assumptions;
- Assessing whether the cash flow forecast is prepared in accordance with the Group's accounting policies and comparing the forecast with the budgets approved by the board of directors of the Company;
- Comparing the actual results for the current year with the management's cash flow projections prepared in the previous year's business acquisition to evaluate the reliability of management's budgeting process;
- Engaging our internal valuation specialist to analyse the reasonableness of the pre-tax discount rate adopted by the management by comparing to the economic and industry data;
- Assessing the reasonableness of the expected long-term growth rate by comparing to relevant market researches; and
- Performing sensitivity analysis on the key assumptions including expected long-term growth rate and pre-tax discount rate to evaluate the magnitude of their impacts and assess whether impairment provision would have been required.

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

21 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	577,494	525,383
Cost of sales or services		(440,190)	(396,976)
Gross profit		137,304	128,407
Other income	8	1,042	1,010
Other gains and losses, net	9	(32,868)	17,833
Distribution and selling expenses		(36,133)	(39,040)
Administrative and other expenses		(90,199)	(81,924)
Net impairment losses under expected credit loss model		(300)	(185)
Finance costs	10	(3,354)	(1,965)
(Loss) profit before taxation		(24,508)	24,136
Taxation	11	(4,623)	(3,074)
(Loss) profit for the year	12	(29,131)	21,062
Other comprehensive income (expense) for the year:			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of intangible assets		312	629
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		270	(328)
Total comprehensive (expense) income for the year		(28,549)	21,363
(Loss) profit for the year attributable to:			
Owners of the Company		(27,478)	22,789
Non-controlling interests		(1,653)	(1,727)
		(29,131)	21,062
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(26,896)	23,090
Non-controlling interests		(1,653)	(1,727)
		(28,549)	21,363
(Loss) earnings per share (HK cents)	15		
– basic and diluted		(2.72)	2.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property and equipment	16	112,102	86,152
Goodwill	17	3,216	3,216
Intangible assets	18	37,736	40,264
Financial assets at fair value through profit or loss ("FVTPL")	19	13,073	37,854
Deferred tax assets	20	4,783	4,231
Prepayments and deposits	22	103,738	89,580
		274,648	261,297
Current assets			
Inventories	23	18,365	13,830
Loan receivable	24	4,351	4,666
Trade and other receivables, prepayments and deposits	22	274,486	200,008
Tax recoverable		–	18
Contract assets	21	8,186	6,992
Financial assets at FVTPL	19	1,504	4,406
Cash and cash equivalents	25	67,190	49,126
		374,082	279,046
Current liabilities			
Trade and other payables and accruals	26	99,741	70,717
Lease liabilities	27	11,327	6,855
Contract liabilities	28	176,217	134,208
Bank borrowings	29	54,244	37,021
Tax liabilities		7,779	1,854
		349,308	250,655
Net current assets		24,774	28,391
Total assets less current liabilities		299,422	289,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Lease liabilities	27	33,572	8,843
Contract liabilities	28	104,718	90,835
Bank borrowings	29	17,974	18,756
Deferred tax liabilities	20	5,914	6,643
		162,178	125,077
Net assets		137,244	164,611
Capital and reserves			
Share capital	31	10,117	10,117
Reserves		123,789	149,903
Equity attributable to owners of the Company		133,906	160,020
Non-controlling interests		3,338	4,591
Total equity		137,244	164,611

The consolidated financial statements on pages 66 to 182 were approved and authorised for issue by the board of directors on 21 June 2023 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 2023

	Attributable to owners of the Company							Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Share option reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000			
At 1 April 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	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-based payment expenses	-	-	-	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
Loss for the year	-	-	-	-	-	-	(27,478)	(27,478)	(1,653)	(29,131)
Other comprehensive income for the year	-	-	-	-	312	270	-	582	-	582
Total comprehensive income (expense) for the year	-	-	-	-	312	270	(27,478)	(26,896)	(1,653)	(28,549)
Transfer to accumulated profits upon forfeiture of share options	-	-	-	(459)	-	-	459	-	-	-
Disposal of intangible assets	-	-	-	-	(253)	-	253	-	-	-
Issue of shares upon exercise of share options	*	58	-	(17)	-	-	-	41	-	41
Recognition of share-based payment expenses	-	-	-	741	-	-	-	741	-	741
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	400	400
At 31 March 2023	10,117	71,000	3,633	4,526	59	(320)	44,891	133,906	3,338	137,244

* Amount less than HK\$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(24,508)	24,136
Adjustments for:		
Finance costs	3,354	1,965
Net impairment losses under expected credit loss model	300	185
Interest income	(1,007)	(840)
Depreciation	16,933	15,043
Amortisation of intangible assets	2,618	385
Impairment loss on intangible assets	1,920	–
Impairment loss on property and equipment	740	–
Unrealised fair values changes on financial assets at FVTPL	24,781	(14,590)
Revaluation loss on intangible assets	240	–
Share-based payments	741	5,886
Allowance for inventories	1,515	1,794
Net gain on disposal of property and equipment	–	(2,578)
Operating cash flows before movements in working capital	27,627	31,386
Increase in inventories	(6,050)	(10,792)
Increase in trade and other receivables, prepayment and deposits	(85,502)	(97,701)
Increase in contract assets	(1,190)	(2,009)
Decrease in financial assets at FVTPL	2,902	8,615
Increase in trade and other payables and accruals	29,118	29,577
Increase in contract liabilities	56,148	70,617
Net cash generated from operations	23,053	29,693
Income tax refunded (paid)	39	(9,742)
NET CASH FROM OPERATING ACTIVITIES	23,092	19,951

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
INVESTING ACTIVITIES			
Interest received		439	308
Purchase of property and equipment		(7,012)	(35,789)
Deposit paid for acquisition of property and equipment		(3,000)	–
Proceed from disposal of property and equipment		–	2,510
Purchase of intangible assets		(1,979)	(12,402)
Proceeds from disposal of intangible assets		41	13,026
Repayment from loan receivable		143	–
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		(11,368)	(60,961)
FINANCING ACTIVITIES			
Dividends paid		–	(10,049)
Payments of lease liabilities		(7,346)	(7,528)
New bank borrowings raised		124,398	98,355
Repayment of bank borrowings		(108,006)	(64,951)
Interest paid		(3,354)	(1,965)
Capital contribution from non-controlling interests		400	2,000
Proceeds from issue of shares		41	1,235
NET CASH FROM FINANCING ACTIVITIES		6,133	17,097
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		17,857	(23,913)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		49,126	73,383
Effect of exchange rate changes		207	(344)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		67,190	49,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 immediate controlling shareholder 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”) AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”)

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 Group’s annual periods beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

In addition, the Group applied the agenda decisions of the Committee of the International Accounting Standards Board, which are relevant to the Group.

The application of the amendments to HKFRSs and the Committee’s agenda decisions 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 the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”) (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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

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 2023

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”) (continued)

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

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 the Group’s annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$41,647,000 and HK\$44,899,000, respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of HK\$6,872,000 and HK\$7,408,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated profits (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 or revalued amounts 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”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 2023

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 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

For business combinations in which the acquisition date is on or after 1 April 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2023

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

Output method for provision of maintenance and support services

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method for provision of technical implementation services

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 considers itself as a principal because it controls the specified good or service before that good or service is transferred to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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

The Group applies the short-term lease recognition exemption to leases of office and carpark 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 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 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets 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 2023

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 assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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 or 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 2023

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/share award 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.

Shares awards granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 (loss) 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 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 2023

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets”. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values 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 2023

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at 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.

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 at FVTPL

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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

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.

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 2023

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 2023

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 2023

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 2023

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.

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 2023

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 2023

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of exclusive rights

As at 31 March 2023, the carrying amount of exclusive rights with finite useful life and with impairment indication was approximately HK\$31,413,000 (2022: HK\$34,031,000). In determining whether the exclusive rights are impaired, the Group has to exercise judgement and make estimation on whether the carrying value of CGU to which the exclusive rights belong can be supported by the recoverable amount, which is based on its value in use calculation. 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(b) for further disclosures.

Fair value measurement of unlisted equity investment

As at 31 March 2023, unlisted equity investment amounting to approximately HK\$13,073,000 (2022: 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 2023, the carrying amount of goodwill is approximately HK\$3,216,000 (2022: 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 2023

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trading rights

As at 31 March 2023, the carrying amount of trading rights with indefinite life subject to annual impairment assessment was approximately HK\$4,308,000 (2022: 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 CGU to which the trading rights belong can be supported by the recoverable amount, which is based on its value in use calculation. 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(a) 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\$1,515,000 (2022: HK\$1,794,000) was recognised for the year ended 31 March 2023. The carrying amount of inventories are approximately HK\$18,365,000 (2022: HK\$13,830,000) as at 31 March 2023.

Estimated impairment of trade receivables and contract assets

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 each 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\$138,751,000 (2022: HK\$98,516,000) and HK\$8,186,000 (2022: HK\$6,992,000), respectively as at 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 HK\$'000	2022 HK\$'000
Types of goods or services:		
Cybersecurity products business*		
– procurement of network security products, system security products and application and data security products	328,214	295,207
Cybersecurity services business*		
– provision of technical implementation services	30,744	39,320
– provision of maintenance and support services	218,536	190,766
	249,280	230,086
Digital assets financial services and investment business*		
– provision of financial services	–	90
	577,494	525,383

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

	2023 HK\$'000	2022 HK\$'000
Timing of revenue recognition:		
Over time	249,280	230,176
A point in time	328,214	295,207
	577,494	525,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2023

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 2023

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 2023 and 2022 and the expected timing of recognising revenue are as follows:

	Maintenance and support services	
	2023 HK\$'000	2022 HK\$'000
Within one year	164,935	131,142
More than one year but not more than two years	59,004	47,523
More than two years	45,714	43,312
	269,653	221,977

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 2023 and 2022 is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 and operating 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) Digital assets financial services and investment business refers to the provision of digital assets 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 2023

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	Digital assets financial services and investment business HK\$'000	Total HK\$'000
For the year ended 31 March 2023				
Segment revenue	328,214	249,280	–	577,494
Segment results	50,976	86,128	(40,650)	96,454
Other income				1,042
Unallocated other gains and losses, net				(445)
Unallocated distribution and selling expenses				(35,742)
Unallocated administrative and other expenses				(82,363)
Impairment losses recognised on loan receivable				(100)
Finance costs				(3,354)
Loss before taxation				(24,508)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

7. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Cybersecurity products business HK\$'000	Cybersecurity services business HK\$'000	Digital assets 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

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 2023

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2023 HK\$'000	2022 HK\$'000
Segment assets		
Cybersecurity products business	190,838	141,862
Cybersecurity services business	226,989	200,519
Digital assets financial services and investment business	21,059	50,176
Unallocated assets	209,844	147,786
Consolidated assets	648,730	540,343

	2023 HK\$'000	2022 HK\$'000
Segment liabilities		
Cybersecurity products business	102,113	64,629
Cybersecurity services business	272,773	223,933
Digital assets financial services and investment business	159	338
Unallocated liabilities	136,441	86,832
Consolidated liabilities	511,486	375,732

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 2023

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 March 2023

	Cybersecurity products business HK\$'000	Cybersecurity services business HK\$'000	Digital assets 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)	-	-	1,979	1,979	43,618	45,597
Depreciation	-	-	-	-	16,933	16,933
Amortisation of intangible assets	2,618	-	-	2,618	-	2,618
Impairment loss on intangible assets	-	-	1,920	1,920	-	1,920
Impairment loss on property and equipment	-	-	740	740	-	740
Net impairment losses on trade receivables	204	-	-	204	-	204
Net reversal of impairment losses on contract assets	-	(4)	-	(4)	-	(4)
Impairment losses on loan receivable	-	-	-	-	100	100
Loss on fair value changes of financial assets at FVTPL	-	-	29,523	29,523	-	29,523
Revaluation loss on intangible assets charged to profit or loss	-	-	240	240	-	240
Write-down of inventories	1,515	-	-	1,515	-	1,515

Note: Additions to non-current assets during the year ended 31 March 2023 included property and equipment and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

7. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 March 2022

	Cybersecurity products business HK\$'000	Cybersecurity services business HK\$'000	Digital Assets, 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 during the year ended 31 March 2022 included property and equipment, goodwill and intangible assets (included approximately HK\$34,416,000 arising from acquisition of subsidiaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 customers.

	2023 HK\$'000	2022 HK\$'000
Hong Kong	531,174	482,481
Macau	22,906	19,587
Mongolian People's Republic	9,861	5,881
The PRC (excluding Hong Kong and Macau)	10,622	13,407
Singapore	2,931	4,027
	577,494	525,383

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong	209,341	169,835
The PRC (excluding Hong Kong and Macau)	63	133
Macau	283	905
Singapore	28,687	30,100
	238,374	200,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 HK\$'000	2022 HK\$'000
Customer A ¹	60,704	98,631
Customer B ¹	77,127	78,889

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

8. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Bank interest income	53	8
Interest income from deposits for life insurance contracts	505	489
Interest income from rental deposits	135	43
Interest income from loan receivable	314	300
Others	35	170
	1,042	1,010

9. OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Net foreign exchange (loss) gain	(445)	623
Net gain on disposal of property and equipment	–	2,578
(Loss) gain on fair value changes of financial assets at FVTPL	(29,523)	14,632
Revaluation loss on intangible assets	(240)	–
Impairment loss on intangible assets	(1,920)	–
Impairment loss on property and equipment	(740)	–
	(32,868)	17,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	2,093	1,009
Interest on lease liabilities	1,261	956
	3,354	1,965

11. TAXATION

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong Profits Tax	5,930	6,699
PRC Enterprise Income Tax ("EIT")	–	167
	5,930	6,866
Overprovision in respect of prior year:		
Hong Kong Profits Tax	(26)	(207)
Deferred tax credit (note 20)	(1,281)	(3,585)
	4,623	3,074

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 2023 and 2022.

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 2023

11. TAXATION (continued)

No provision of Macau Complementary Tax was made for the year ended 31 March 2023 and 2022 as the subsidiary in Macau has incurred tax losses.

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

	2023 HK\$'000	2022 HK\$'000
(Loss) profit before taxation	(24,508)	24,136
Taxation at Hong Kong Profits Tax rate of 16.5%	(4,044)	3,982
Tax effect of income not taxable for tax purposes	(616)	(3,047)
Tax effect of expenses not deductible for tax purposes	5,108	1,079
Effect of different tax rates of subsidiaries operating in other jurisdictions	(19)	57
Tax effect of tax losses not recognised	4,899	3,548
Utilisation of deductible temporary differences previously not recognised	–	(148)
Tax effect of recognition of tax losses previously not recognised	–	(1,826)
Overprovision in prior year	(26)	(207)
Tax effect of two-tiered tax rate	(165)	(165)
Others	(514)	(199)
Taxation for the year	4,623	3,074

At 31 March 2023, the Group had estimated unused tax losses of approximately HK\$102,631,000 (2022: HK\$69,582,000) to offset against future profits which can be carried forward indefinitely. A deferred tax assets of approximately HK\$26,564,000 (2022: HK\$23,206,000) 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\$76,067,000 (2022: HK\$46,376,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

12. (LOSS) PROFIT FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs*:		
Directors' remuneration (note 13)	12,420	13,380
Other staff:		
Other staff costs	76,806	75,802
Equity-settled share-based expense	309	4,850
Contributions to retirement benefits schemes	3,684	3,772
	93,219	97,804
Auditor's remuneration		
– Audit services	1,825	1,678
– Non-audit services	140	825
	1,965	2,503
Cost of inventories recognised as an expense (including the allowance for inventories of approximately HK\$1,515,000 (2022: HK\$1,794,000))	274,416	239,345
Depreciation of right-of-use assets	9,326	7,823
Depreciation of other property and equipment	7,607	7,220
Depreciation of property and equipment	16,933	15,043
Amortisation of intangible assets	2,618	385
Net impairment losses on trade receivables	204	47
Net (reversal of impairment losses) impairment losses on contract assets	(4)	13
Impairment losses on loan receivable	100	125
Net impairment losses under ECL model	300	185

* For the year ended 31 March 2023, COVID-19 related government grants/assistance amounted to approximately HK\$3,145,000 have been offset against other staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2023						
Executive directors						
Mr. Liu Yui Ting Raymond ("Mr. Raymond Liu")	-	2,520	432	840	78	3,870
Mr. Lee Francis Sung Kei	-	1,680	-	414	78	2,172
Mr. Lam Tak Ling	-	1,740	-	429	78	2,247
Mr. Von John	-	1,482	-	494	35	2,011
Non-executive director						
Mr. Ashley Lo	360	960	-	-	18	1,338
Independent non-executive directors						
Mr. Yu Kwok Chun Raymond (note (iii))	170	-	-	-	-	170
Mr. Ng Tsz Fung Jimmy	204	-	-	-	-	204
Mr. Chan Siu Ming Simon	204	-	-	-	-	204
Mrs. Wong Hung Yuen Yee Flavia	204	-	-	-	-	204
	1,142	8,382	432	2,177	287	12,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

	Directors' fee	Salaries, allowance and other benefits	Equity settled share-based expense	Performance related bonuses	Retirement benefit schemes contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(note (i))						
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 Francis Sung Kei	–	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 (note (iii))	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:

- (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.
- (iii) Mr. Yu Kwok Chun Raymond resigned as an independent non-executive director on 31 January 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

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 ended 31 March 2022, 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 (2022: three) directors of the Company for the year ended 31 March 2023, whose emoluments are included in the disclosures above. The total emoluments of the remaining two (2022: two) individuals for the year ended 31 March 2023, are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	3,300	3,214
Performance related bonuses	1,212	528
Equity-settled share-based expense	68	1,310
Contributions to retirement benefits schemes	80	72
	4,660	5,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 No. of employees	2022 No. of employees
HK\$2,000,001 to HK\$2,500,000	3	2
HK\$2,500,001 to HK\$3,000,000	1	2
HK\$3,500,001 to HK\$4,000,000	1	–
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 2023 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

15. (LOSS) EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	(27,478)	22,789

	2023 Number of shares '000	2022 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	1,011,727	1,005,985

The computation of diluted loss per share does not assume the exercise of Company's share options since their assumed exercise would result in a decrease in loss per share for the year ended 31 March 2023.

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 the year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 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
Exchange adjustments	79	–	8	(38)	–	49
Additions	–	36,606	6,507	505	–	43,618
End of lease	–	(1,566)	–	–	–	(1,566)
Modification of a lease	–	(59)	–	–	–	(59)
At 31 March 2023	60,683	58,685	19,493	11,029	4,851	154,741
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 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
Exchange adjustments	7	–	7	(29)	–	(15)
Provided for the year	1,213	9,158	3,550	1,736	1,276	16,933
Impairment loss recognised (note 18(a))	–	740	–	–	–	740
Eliminated upon end of lease	–	(1,566)	–	–	–	(1,566)
At 31 March 2023	4,098	17,038	8,841	8,315	4,347	42,639
CARRYING VALUES						
At 31 March 2023	56,585	41,647	10,652	2,714	504	112,102
At 31 March 2022	57,726	14,998	7,694	3,954	1,780	86,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

16. PROPERTY AND EQUIPMENT (continued)

The above items of property and equipment, after taking into account the residual value, 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	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
At 31 March 2023			
Carrying amount	41,647	–	41,647
At 31 March 2022			
Carrying amount	14,998	168	15,166
For the year ended 31 March 2023			
Depreciation charge	9,158	168	9,326
Impairment loss recognised	740	–	740
For the year ended 31 March 2022			
Depreciation charge	7,655	168	7,823

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Expense relating to short-term leases	416	721
Total cash outflow for leases	9,023	9,205
Modification of leases	(59)	241
Additions to right-of-use assets	36,606	9,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2023 and 2022, there is no such triggering event.

During the year ended 31 March 2023, the additions to right-of-use assets in relation to new offices leased amounted to approximately HK\$36,606,000 (2022: HK\$9,267,000) and the modifications on certain leased properties in relation to rental reduction of respective lease contracts amounted to approximately HK\$59,000 (2022: renewal of respective lease contracts amounted to approximately HK\$241,000). Respective lease liabilities of approximately HK\$36,547,000 (2022: HK\$9,443,000) have been recognised.

During the year ended 31 March 2022, the Group early terminated a lease contract and the respective remaining right-of-use assets and lease liabilities of approximately HK\$3,805,000 and HK\$4,461,000 have been derecognised.

The Group regularly entered into short-term leases for office and carpark. As at 31 March 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

17. GOODWILL

HK\$'000

COST AND CARRYING VALUES

At 1 April 2021, 31 March 2022 and 2023 3,216

For the purposes of impairment testing, goodwill has been allocated to two individual CGUs, comprising (i) those subsidiaries under Cybersecurity products business excluding Green Radar CGU (as defined in note 18(b)) (“Cybersecurity Products CGU”) and (ii) Cybersecurity services business (“Cybersecurity Services CGU”) with amount of approximately HK\$1,801,000 and HK\$1,415,000, respectively. 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 Cybersecurity Products CGU 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 18.8% (2022: 16.5%). Cybersecurity Products CGU’s cash flows beyond the five-year period are extrapolated using a steady 2.5% (2022: 2.5%) long-term growth rate.

The recoverable amount of Cybersecurity Services CGU 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 18.8% (2022: 16.5%). Cybersecurity Services CGU’s cash flows beyond the five-year period are extrapolated using a steady 2.5% (2022: 2.5%) long-term 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 2023 and 2022, 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

	2023 HK\$'000	2022 HK\$'000
Trading rights	4,308	6,228
Exclusive rights	31,413	34,031
Coin-related digital assets	2,015	5
	37,736	40,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

18. INTANGIBLE ASSETS (continued)

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

	Trading rights HK\$'000
<hr/>	
COST	
At 1 April 2021, 31 March 2022 and 2023	6,228
<hr/>	
ACCUMULATED IMPAIRMENT	
At 1 April 2021 and 31 March 2022	–
Impairment loss recognised	1,920
<hr/>	
As 31 March 2023	1,920
<hr/>	
CARRYING VALUES	
As 31 March 2023	4,308
<hr/>	
As 31 March 2022	6,228
<hr/>	

At 31 March 2023, intangible assets amounting to approximately HK\$4,308,000 (2022: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

18. INTANGIBLE ASSETS (continued)

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

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”), under Digital assets financial services and investment business, 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. The value in use calculation of AGAM CGU uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 19.5% (2022: 16.5%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2022: 3%) long-term 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 2023, impairment loss of approximately HK\$2,660,000 (in which HK\$740,000 and HK\$1,920,000 are allocated pro rata to property and equipment and intangible assets respectively based on carrying amount) have been recognised based on the impairment assessment.

During the year ended 31 March 2022, management of the Group determined that there was no impairment on the AGAM CGU. Management of the Group believed 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 2023

18. INTANGIBLE ASSETS (continued)

(b) 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 2021	–
Acquired on acquisition of subsidiaries (note 30)	34,416
At 31 March 2022 and 2023	34,416
ACCUMULATED AMORTISATION	
At 1 April 2021	–
Charge for the year	385
At 31 March 2022	385
Charge for the year	2,618
At 31 March 2023	3,003
CARRYING VALUES	
At 31 March 2023	31,413
At 31 March 2022	34,031

The exclusive rights of the intellectual property are used for the development of the Group's cloud-based email security platform ("Green Radar CGU"). Such exclusive rights were 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 2023

18. INTANGIBLE ASSETS (continued)

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

As at 31 March 2023, in view of the unfavorable financial performance of operation of Green Radar CGU under Cybersecurity products business, the management of the Group concluded there was indication for impairment and conducted impairment assessment. In addition to the exclusive 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 Green Radar CGU for the purpose of impairment assessment. The value in use calculation of Green Radar CGU uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 17.8%. Cash flows beyond the five-year period are extrapolated using a steady 2.5% long-term growth rate up to the end of the useful life of the exclusive rights.

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 2023, management of the Group determines that there is no impairment on the Green Radar CGU. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the Green Radar CGU to exceed the recoverable amount of the Green Radar CGU.

As at 31 March 2022, there was no impairment indication for Green Radar CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

18. INTANGIBLE ASSETS (continued)

(c) Intangible assets with indefinite useful life measured using revaluation model

	Coin-related digital assets HK\$'000
At 1 April 2021	–
Additions	12,402
Disposal	(13,026)
Revaluation gain credited to other comprehensive income	629
At 31 March 2022	5
Additions	1,979
Disposal	(41)
Revaluation loss charged to profit or loss	(240)
Revaluation gain credited to other comprehensive income	312
At 31 March 2023	2,015

During the year ended 31 March 2023 and 2022, the Group has invested in several coin-related digital assets. As at 31 March 2023, such digital assets are carried at a revalued amount of approximately HK\$2,015,000 (2022: 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 2023 for the purposes of these consolidated financial statements would have been HK\$1,956,000 (2022: HK\$5,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

19. FINANCIAL ASSETS AT FVTPL

	2023 HK\$'000	2022 HK\$'000
Listed equity investments in Hong Kong and the United States	–	263
Unlisted fund investment	1,504	4,143
Unlisted preference shares of Tykhe Capital Group Limited (“Tykhe”)	13,073	37,854
	14,577	42,260
Analysed for reporting purposes as:		
Non-current assets	13,073	37,854
Current assets	1,504	4,406
	14,577	42,260

As at 31 March 2023 and 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.

As at 31 March 2023 and 2022, the Group has unlisted preference shares investment amounting to United States Dollar (“USD”) 3 million of share capital of series A2 preference shares of Tykhe. The fair value is measured at level 3 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. The investment is classified as financial assets at FVTPL. During the year ended 31 March 2023, fair value loss of approximately HK\$24,781,000 (2022: fair value gain of approximately HK\$14,590,000) has been recognised for the investment in Tykhe.

As at 31 March 2022, the Group had 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 was measured at level 1 which was based on quoted bid prices in an active market.

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 2023

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:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	4,783	4,231
Deferred tax liabilities	(5,914)	(6,643)
	(1,131)	(2,412)

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 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)
(Charge) credit to profit or loss for the year	(71)	50	554	–	748	1,281
At 31 March 2023	111	270	4,383	–	(5,895)	(1,131)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

21. CONTRACT ASSETS

	2023 HK\$'000	2022 HK\$'000
Contract assets from technical implementation services contracts	8,245	7,055
Less: allowance for credit losses	(59)	(63)
	8,186	6,992

As at 1 April 2021, contract assets amounted to approximately HK\$4,996,000.

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 2023

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 HK\$'000	2022 HK\$'000
Current		
Trade receivables	139,802	99,363
Less: allowance for credit losses	(1,051)	(847)
	138,751	98,516
Prepayment to suppliers for maintenance and support services (note (ii))	130,506	94,001
Receivables with broker's house and custodian	159	1,312
Other tax receivables	630	526
Prepayment and others	4,440	5,653
	274,486	200,008
Non-current		
Rental deposits	3,920	4,402
Deposits paid for acquisition of property and equipment	3,000	–
Deposits and prepayment for life insurance contracts (note (i))	14,498	14,208
Prepayment to suppliers for maintenance and support services (note (ii))	82,320	70,970
	103,738	89,580
Total trade and other receivables, prepayments and deposits	378,224	289,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 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). 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.

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 2021, trade receivables from contracts with customers amounted to approximately HK\$67,728,000.

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 2023

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:

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	96,624	59,482
31 to 60 days	28,904	26,742
61 to 90 days	4,867	7,929
91 to 120 days	3,999	3,354
121 to 365 days	4,357	1,009
	138,751	98,516

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$34,022,000 (2022: HK\$29,671,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$1,307,000 (2022: HK\$595,000) 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

	2023 HK\$'000	2022 HK\$'000
Finished goods	18,365	13,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

24. LOAN RECEIVABLE

	2023 HK\$'000	2022 HK\$'000
Fixed-rate unsecured loan receivable	4,876	5,091
Less: allowance for credit losses	(525)	(425)
	4,351	4,666

The loan receivable was made to a third party not related to the Group. The interest rate is 6% (2022: 6%) per annum. Two directors of the borrower have provided personal guarantee to the Group. During the year ended 31 March 2023 and 2022, the Group renewed the loan agreement with the borrower and extended the loan for one more year. As at 31 March 2023 and 2022, 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents 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:

	2023 HK\$'000	2022 HK\$'000
Trade payables	82,990	53,077
Accrued expense	6,217	7,198
Accrued staff costs	9,343	8,575
Others	1,191	1,867
	99,741	70,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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.

	2023 HK\$'000	2022 HK\$'000
0 to 30 days	82,791	52,880
31 to 60 days	–	–
61 to 90 days	–	197
91 to 120 days	199	–
	82,990	53,077

27. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:		
Within one year	11,327	6,855
Within a period of more than one year but not exceeding two years	8,234	5,031
Within a period of more than two years but not exceeding five years	25,338	3,812
	44,899	15,698
Less: Amount due for settlement within 12 months shown under current liabilities	(11,327)	(6,855)
Amount due for settlement after 12 months shown under non-current liabilities	33,572	8,843

The incremental borrowing rates applied to lease liabilities is 5.3% (2022: 2.5% to 5.3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

28. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Contract liabilities from:		
Provision of maintenance and support services	269,653	221,977
Provision of technical implementation services	3,120	1,956
Procurement of network security products, system security products and application and data security products	8,162	1,110
	280,935	225,043

Analysed for reporting purposes as:

	2023 HK\$'000	2022 HK\$'000
Current liabilities	176,217	134,208
Non-current liabilities	104,718	90,835
	280,935	225,043

As at 1 April 2021, contract liabilities amounted to approximately HK\$154,357,000.

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.

The increase in contract liabilities represents the increase in amount of upfront deposits received from the customers in respect of increase in sales orders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 HK\$'000	2022 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	131,142	100,561
Revenue from provision of technical implementation services	1,956	4,906
Revenue from procurement of network security products, system security products and application and data security products	1,110	1,295
	134,208	106,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

29. BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Secured and guaranteed bank borrowings	72,218	55,777
The carrying amounts of the above bank borrowings are repayable*:		
Within one year	43,175	25,308
More than one year but not exceeding two years	1,783	2,009
More than two years but not exceeding five years	5,645	5,683
More than five years	21,615	22,777
	72,218	55,777
Less: Amounts due within one year or contains a repayment on demand clause shown under current liabilities	(54,244)	(37,021)
Amounts shown under non-current liabilities	17,974	18,756

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

As at 31 March 2023, bank borrowing of approximately HK\$19,147,000 (2022: HK\$19,890,000) 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") plus 4% per annum upon the modified bank facility issued by bank on 22 February 2022 for the transition of Singapore Interbank Offered Rate ("SIBOR") to SORA. The effective interest rate on the bank borrowing was 4.2% (2022: 3.75%) per annum as at 31 March 2023. 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 2023, bank borrowings of approximately HK\$11,713,000 (2022: HK\$12,358,000) is at floating rate which carry interest at 1-month Hongkong Interbank Offered Rate ("HIBOR") plus 1.3% (2022: 1.3%), with effective interest rate of 4.4% (2022: 1.5%) per annum as at 31 March 2023. These bank borrowings are repayable on demand and hence classified as current liabilities as at 31 March 2023. Such bank borrowings are denominated in HK\$ and secured by the owned properties in Hong Kong 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\$41,358,000 (2022: HK\$23,529,000) are at floating rate which carry interest at 1-month HIBOR plus 2 to 2.8% or US\$ Best Lending Rate ("BLR") add a spread (2022: US\$ BLR add a spread), with effective interest rate of 6.7% (2022: 3.2%) per annum as at 31 March 2023. 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 set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 a sales and purchase agreement with the then 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 had 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 had 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 2023

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 was 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 a sales and purchase agreement with the then 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 had 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 2023

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 had 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

30. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition of Maldun Security Limited (“Maldun”) (continued)

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

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

Included in the profit for the year was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2021, 31 March 2022 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2021	1,004,946,000	10,049
Issue of shares upon exercise of share options (note (i))	1,900,000	19
Issue of shares under share award scheme (note (ii))	4,820,000	49
At 31 March 2022	1,011,666,000	10,117
Issue of shares upon exercise of share options (note (iii))	72,000	—*
At 31 March 2023	1,011,738,000	10,117

* Amount less than HK\$1,000.

Notes:

- (i) 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.
- (ii) On 31 March 2022, 4,820,000 new ordinary shares of the Company were issued to three professional advisers and one employee 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.
- (iii) During the year ended 31 March 2023, a total of 72,000 new ordinary shares of HK\$0.01 each were issued upon exercise of the share options of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2023 and 2022, 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\$3,971,000 (2022: HK\$4,058,000) 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 2023

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

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Amortised cost	215,007	159,754
FVTPL	14,577	42,260
Financial liabilities		
Amortised cost	171,959	126,494

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, bank borrowings and lease liabilities. 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 2023

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 2023			
Trade receivables and deposits	–	20,600	110
Bank balances and cash	–	17,951	550
Trade and other payables	–	37,700	182
Bank borrowings	–	35,482	19,147

	Denominated in RMB HK\$'000	Denominated in US\$ HK\$'000	Denominated in SG\$ HK\$'000
As at 31 March 2022			
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

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 2023

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% (2022: 5%) increase and decrease in other foreign currencies against HK\$. 5% (2022: 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% (2022: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax loss (2022: an increase in post-tax profit) for the year where other foreign currencies strengthen 5% (2022: 5%) against HK\$. For a 5% (2022: 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.

	2023 HK\$'000	2022 HK\$'000
SG\$	779	(803)
RMB	-	1

(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 2023

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:

	2023 HK\$'000	2022 HK\$'000
Included in other income	502	351

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

	2023 HK\$'000	2022 HK\$'000
Included in finance costs	2,093	1,009

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 100 basis points (2022: 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 2023

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 an increase in post-tax loss (2022: decrease in post-tax profit) for the year where the interest rate had been 100 basis points (2022: 50 basis points) higher and all other variable were held constant. For 100 basis points (2022: 50 basis points) lower on interest rate, there would be an equal and opposite impact on the result for the year.

	2023 HK\$'000	2022 HK\$'000
Increase in post-tax loss (2022: decrease in post-tax profit) for the year	(603)	(233)

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 2023 and 2022. Accordingly, no sensitivity analysis on interest rate risk is presented.

(iii) Other price risk

The Group is exposed to price risk in respect of unlisted fund investment and unlisted preference shares in Hong Kong as at 31 March 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

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 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 loss for the year (2022: pre-tax profit for the year) would decrease/increase (2022: increase/decrease) by approximately HK\$1,458,000 (2022: HK\$4,226,000) as a result of the changes in fair value of financial assets at FVTPL.

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 2023 and 2022. As at 31 March 2023 and 2022, 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 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\$100,000 (2022: HK\$125,000) was recognised in profit or loss during the year ended 31 March 2023 in view of probability of default with reference to the historical credit loss experience of the counterparty and forward-looking information.

As at 31 March 2023 and 2022, 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 2023

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 2023, the Group had concentration of credit risk as 15% (2022: 15%) of the total trade receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 39% (2022: 40%) of the total trade receivables as at 31 March 2023.

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 2023

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 2023

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table below details 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	
					2023 HK\$'000	2022 HK\$'000
Financial assets at amortised cost						
Loan receivable	24	N/A	Low risk	12-month ECL	4,876	5,091
Trade receivables						
– goods and services	22	N/A	(note 1)	Lifetime ECL (provision matrix)	16,035	14,067
			Low risk	Lifetime ECL (average loss rate: 0.7% (2022: 0.8%))	123,767	85,296
Other receivables and deposits	22	N/A	(note 2)	12-month ECL	4,715	7,446
Bank balances	25	Aa3 to Baa3	N/A	12-month ECL	67,190	49,126
Other items						
Contract assets	21	N/A	(note 1)	Lifetime ECL (provision matrix)	4,312	1,943
			Low risk	Lifetime ECL	3,933	5,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

- For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Apart from trade receivables with aggregated outstanding balances exceeding HK\$1,000,000 and relevant contract assets, the Group determines the ECL on these items using a provision matrix grouped with reference to current past due exposure 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\$123,767,000 (2022: HK\$85,296,000) and HK\$3,933,000 (2022: HK\$5,112,000) respectively as at 31 March 2023 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 2023 within lifetime ECL (not credit-impaired).

Gross carrying amount

Internal credit rating	2023			2022		
	Average loss rate %	Trade receivables HK\$'000	Contract assets HK\$'000	Average loss rate %	Trade receivables HK\$'000	Contract assets HK\$'000
Low risk	0.7	6,144	3,804	0.8	7,947	1,469
Medium risk	1.5	9,338	508	1.5	5,476	435
High risk	4.0	553	–	4.0	644	39
		16,035	4,312		14,067	1,943

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 2023, the Group reversed impairment allowance of approximately HK\$50,000 (2022: HK\$58,000) and HK\$33,000 (2022: HK\$9,000) for trade receivables and contract assets, respectively, based on the provision matrix. Net impairment allowance of approximately HK\$254,000 (2022: HK\$105,000) and HK\$29,000 (2022: HK\$4,000) 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 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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
2023:			
Financial assets at amortised cost			
Other receivables and deposits	–	4,715	4,715
2022:			
Financial assets at amortised cost			
Other receivables and deposits	–	7,446	7,446

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 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 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
Changes due to financial instruments recognised as at 1 April 2022:				
– Impairment loss recognised	100	–	–	100
– Impairment loss reversed	–	(847)	(63)	(910)
New financial assets originated	–	1,051	59	1,110
As at 31 March 2023	525	1,051	59	1,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2023

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 2023									
Trade and other payables and accruals	N/A	-	99,741	-	-	-	-	99,741	99,741
Bank borrowings	6.2	53,071	376	1,127	2,145	5,784	16,179	78,682	72,218
Lease liabilities	5.3	-	3,519	9,471	10,137	27,182	-	50,309	44,899
		53,071	103,636	10,598	12,282	32,966	16,179	228,732	216,858

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

34. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

As at 31 March 2023 and 2022, 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 2023, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$53,071,000 (2022: HK\$35,887,000). 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 % per annum	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Bank borrowings:								
As at 31 March 2023	6.2	42,481	505	673	2,020	8,865	54,544	53,071
As at 31 March 2022	2.6	23,955	618	816	2,389	9,276	37,054	35,887

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 2023

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 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 2023 and 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 2023

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 2023

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
	2023 HK\$'000	2022 HK\$'000			
Investments in listed shares in Hong Kong and United States	–	263	Level 1	Quoted bid prices in an active market.	N/A
Unlisted fund investment	1,504	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	13,073	37,854	Level 3	Equity value based on backsolve method (with reference to recent market transaction price of benchmark company) allocated to series A2 preference shares with weighted probability rate of 50% and 50%, respectively under liquidation scenario and qualified IPO scenario*.	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.

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 2023

34. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value measurement and valuation process (continued)

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL HK\$'000
At 1 April 2021	23,264
Unrealised gain recognised in profit or loss	14,590
At 31 March 2022	37,854
Unrealised loss recognised in profit or loss	(24,781)
At 31 March 2023	13,073

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

35. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	20,748	21,223
Post-employment benefits	474	447
	21,222	21,670

36. CAPITAL COMMITMENT

As at 31 March 2023 and 2022, the Group has no capital commitments contracted but not provided in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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.

	Bank borrowings	Lease liabilities	Dividends payable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	22,202	18,241	–	40,443
Financing cash flows (note)	32,395	(8,484)	(10,049)	13,862
New leases entered/modifications/ disposal	–	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
Financing cash flows (note)	14,299	(8,607)	–	5,692
New leases entered/modifications	–	36,547	–	36,547
Finance costs recognised	2,093	1,261	–	3,354
Exchange adjustments	49	–	–	49
At 31 March 2023	72,218	44,899	–	117,117

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 2023

38. SHARE BASED PAYMENTS

(i) 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 of directors of the Company (the “Board”) (excluding connected persons under the Listing Rules) were entitled to participated to the Share Award Scheme (“Participant(s)”). The Share Award Scheme shall be valid and effective for a period of 10 years commencing from 1 September 2020 (“Share Award Scheme Period”).

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.

The Board shall not make any share award to a Participant that would result in the number of shares awarded by the Board in aggregate under the Share Award Scheme, any other share award schemes and share option schemes, representing 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 Share Award Scheme Period.

The aggregate value of shares which may be subject to an award or awards to a Participant at any one time shall not exceed HK\$5 million as at the date of the award (based on the closing price of the shares on the business day immediately preceding the date of award).

Subject to the Listing Rules and the terms and conditions of the Share Award Scheme, the Board shall have the right determine the terms on which the awards are granted, including the amount payable on acceptance of the award or vesting periods, if any. The Board shall determine the number of shares by reference to (a) the monthly salary of the eligible employee; (b) the past contribution of the eligible employee to the Group; (c) the experience of eligible employee possessed in their respective field; (d) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) trading days immediately preceding the relevant offer date; and (e) the duration of employment of the eligible employee in the Group.

The Share Award Scheme shall be valid and effective for 10 years from its adoption date, 1 September 2020, however, as the Share Award Scheme was approved and adopted by the Board prior to the effective date of the “Consultation Paper on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers” published by the Stock Exchange on 29 July 2022 (“Consultation Paper”) and the new Chapter 17 of the Listing Rules, any share awards to be granted under the Share Award Scheme going forward (if any) shall be subject to the transitional arrangements and requirements for existing share schemes under the Consultation Paper and the new Chapter 17 of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

38. SHARE BASED PAYMENTS (continued)

(i) Share award scheme (continued)

On 16 February 2022, the Company granted a total of 4,820,000 shares of the Company as unconditional awards to three professional advisers and one employee of the Group under the Share Award Scheme. The fair value of the award shares of HK\$3,471,000, which was determined based on the share price of HK\$0.72 each at the date of award, was 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

38. SHARE BASED PAYMENTS (continued)

(ii) Share option scheme (continued)

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).

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 2023, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 16,548,000 (2022: 19,924,000) representing 1.64% (2022: 1.97%) of the shares of the Company in issue at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 2023 and 2022:

Grantees	Date of grant	Exercise price HK\$	Exercisable period (note (iii))	As at	Exercised	Granted	Forfeited	As at	Exercised	Forfeited	As at	Exercisable	Exercisable
				1 April 2021	during the year (note (vi))	during the year (note (vii))	during the year (note (iv))	31 March 2022	during the year (note (v))	during the year (note (iv))	31 March 2023	at 31 March 2023	at 31 March 2022
Employees of the Group (note (vi))	7 July 2017	0.65 (note (i))	7 July 2018 to 6 July 2025	9,386,000	(1,900,000)	-	(1,072,000)	6,414,000	-	(1,930,000)	4,484,000	4,484,000	6,414,000
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	(72,000)	(1,374,000)	12,064,000	4,804,000	-
				9,386,000	(1,900,000)	15,000,000	(2,562,000)	19,924,000	(72,000)	(3,304,000)	16,548,000	9,288,000	6,414,000

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 under Share Option Scheme on 7 July 2017 are valid for a period of five years commencing from the Vesting Date. The share options under Share Option Scheme on 21 April 2021 are valid for a period from the Vesting Date to 22 March 2027.

- (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\$0.63 (2022: 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 were granted to Mr. Raymond Liu.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 was 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 2023, the Group recognised the total expense of HK\$741,000 (2022: HK\$2,415,000) in relation to share options granted by the Company on 21 April 2021 with a corresponding adjustment recognised in the Group's share option reserve. Out of these expenses, expenses of approximately HK\$432,000 (2022: HK\$1,036,000) 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 2023

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 was 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 2023 and 2022, no expense has been recognised as the fair value of share options granted on 7 July 2017 has been fully expensed off in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 HK\$'000	2022 HK\$'000
Owned properties in Singapore	28,408	28,963
Owned properties in Hong Kong	28,177	28,763
Deposits and prepayments for life insurance contracts	14,498	14,208
	71,083	71,934

Restrictions on assets

In addition, lease liabilities of approximately HK\$44,899,000 (2022: HK\$15,698,000) are recognised with related right-of-use assets of approximately HK\$41,647,000 (2022: HK\$15,166,000) as at 31 March 2023. 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 2023

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ registration	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Group as at 31 March		Principal activities
			2023	2022	
Axion Global Asset Management Limited	Hong Kong	HK\$23,000,000 (2022: HK\$22,000,000)	60%	60%	Provision of asset management services
Axion Global Digits Technology (Hong Kong) Limited	Hong Kong	HK\$1	100%	100%	Technology innovation
Axion Global Financial Group Limited	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	BVI	US\$1	100%	100%	Investment holding
DocuRoom Technology Limited	Hong Kong	HK\$100,000	100%	100%	Provision of information technology
Edvance Holdings Limited	Hong Kong	HK\$1	100%	100%	Investment holding
Edvance Information Technology Development Company Limited (note (i))	The PRC	RMB5,000,000	100%	100%	Provision of cybersecurity services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Group as at 31 March		Principal activities
			2023	2022	
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))	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
Edvance Technology (Singapore) Pte Limited	Singapore	SG\$100,000	100%	100%	Distribution of cybersecurity products and provision of cybersecurity services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Group as at 31 March		Principal activities
			2023	2022	
Edvance Property Investment (Hong Kong) Limited	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	Hong Kong	HK\$1	100%	100%	Provision of cybersecurity services
Green Radar Holdings Limited	BVI	US\$1	100%	100%	Investment holdings
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Group as at 31 March		Principal activities
			2023	2022	
Maldun Security Limited (note (ii))	Hong Kong	HK\$100,000	100%	100%	Provision of technology services
Metanova Investment Limited (formerly known as "Silverstone Networks Limited") (note (ii))	BVI	US\$1	100%	100%	Investment holdings
Silverstone Networks (Hong Kong) Limited (note (ii))	Hong Kong	HK\$1	100%	100%	Provision of IT security solution
Wepro180 HK	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 were newly acquired during the year ended 31 March 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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	
		2023	2022	2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Axion Global Financial Group Limited and its subsidiary ("AGFG Group")	BVI/ Hong Kong	40%	40%	(1,653)	(1,727)	3,338	4,591

Summarised financial information for the year ended 31 March 2023 and 2022 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	
	2023 HK\$'000	2022 HK\$'000
Non-current assets	5,960	10,660
Current assets	5,854	6,895
Current liabilities	(228)	(470)
Non-current liabilities	(3,240)	(5,607)
Total equity	8,346	11,478
Equity attributable to owners of the Company	5,008	6,887
Non-controlling interests of AGFG Group	3,338	4,591
	8,346	11,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	For the year ended 31 March	
	2023 HK\$'000	2022 HK\$'000
Revenue	–	90
Other income	1,803	1,674
Expenses	(5,935)	(6,082)
Loss and total comprehensive expense for the year	(4,132)	(4,318)
Loss and total comprehensive expense for the year attributable to:		
– owners of the Company	(2,479)	(2,591)
– non-controlling interests of AGFG Group	(1,653)	(1,727)
Loss and total comprehensive expense for the year	(4,132)	(4,318)
Net cash outflow from operating activities	(4,359)	(4,544)
Net cash inflow from financing activities	1,730	5,147
Net cash (outflow) inflow	(2,629)	603
Capital contribution from non-controlling shareholders of AGFG Group	400	2,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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:

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Investments in subsidiaries	1	1
Amounts due from subsidiaries	101,905	93,345
	101,906	93,346
Current assets		
Financial assets at FVTPL	–	263
Amount due from a subsidiary	78,368	68,355
Other receivables	1,809	1,518
Bank balances and cash	397	798
	80,574	70,934
Current liabilities		
Other payables	4,061	4,880
Amounts due to subsidiaries	79,529	66,524
	83,590	71,404
Net current liabilities	(3,016)	(470)
Total assets less current liabilities	98,890	92,876
Capital and reserves		
Share capital (note 31)	10,117	10,117
Reserves	88,773	82,759
Total equity	98,890	92,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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 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	–	(292)	292	–
Dividends paid	–	–	(10,049)	(10,049)
Issue of shares upon exercise of share options	1,722	(506)	–	1,216
Issue of new shares under share award scheme (note 31)	3,422	–	–	3,422
Recognition of share-based payment expenses	–	2,415	–	2,415
At 31 March 2022	70,942	4,261	7,556	82,759
Profit and total comprehensive income for the year	–	–	5,232	5,232
Transfer to accumulated profits upon forfeiture of share options	–	(459)	459	–
Issue of shares upon exercise of share options	58	(17)	–	41
Recognition of share-based payment expenses	–	741	–	741
At 31 March 2023	71,000	4,526	13,247	88,773