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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 RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to approximately HK\$394.3 million for the year ended 31 March 2020, representing an increase of approximately HK\$24.9 million or 6.7% as compared to approximately HK\$369.4 million for the year ended 31 March 2019.

Profit attributable to the owner of the Company was approximately HK\$23.3 million for the year ended 31 March 2020. Excluding the non-recurring transfer of listing related expenses of approximately HK\$7.9 million, the Group should have recorded profit attributable to the owner of the Company of approximately HK\$31.2 million representing an increase of approximately HK\$5.0 million or 19.1% as compared to profit attributable to the owner of the Company of approximately HK\$26.2 million for the year ended 31 March 2019.

The Board has recommended a final dividend of HK\$0.01 per share subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**our**”) for the year ended 31 March 2020 (“**FY2020**”), together with the comparative audited figures for the preceding financial year ended 31 March 2019 (“**FY2019**”), as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	394,330	369,410
Cost of sales		<u>(289,490)</u>	<u>(270,915)</u>
Gross profit		104,840	98,495
Other income		1,073	762
Other gains and losses, net		(44)	(492)
Distribution and selling expenses		(24,807)	(26,242)
Administrative and other expenses		(48,492)	(38,772)
Net impairment losses on trade receivables and contract assets		(93)	(70)
Finance costs		<u>(1,459)</u>	<u>(647)</u>
Profit before taxation		31,018	33,034
Taxation	5	<u>(7,674)</u>	<u>(6,860)</u>
Profit for the year	6	23,344	26,174
Other comprehensive (expense) income for the year:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(596)</u>	<u>171</u>
Total comprehensive income for the year		<u>22,748</u>	<u>26,345</u>
Earnings per share (HK cents)	7		
– basic		<u>2.33</u>	<u>2.62</u>
– diluted		<u>2.33</u>	<u>2.61</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property and equipment		50,193	39,245
Deposits paid for acquisition of property and equipment		–	300
Prepayments and deposits	8	44,299	41,502
		<u>94,492</u>	<u>81,047</u>
Current assets			
Inventories		8,395	7,763
Trade and other receivables, prepayments and deposits	8	154,754	152,815
Tax recoverable		20	–
Contract assets		4,782	–
Bank balances and cash		73,559	73,725
		<u>241,510</u>	<u>234,303</u>
Current liabilities			
Trade and other payables and accruals	9	50,503	42,751
Lease liabilities		5,171	–
Contract liabilities		91,785	82,775
Bank borrowings		3,530	4,403
Tax liabilities		3,607	5,045
		<u>154,596</u>	<u>134,974</u>
Net current assets		<u>86,914</u>	<u>99,329</u>
Total assets less current liabilities		<u>181,406</u>	<u>180,376</u>
Non-current liabilities			
Lease liabilities		6,762	–
Contract liabilities		42,171	38,395
Bank borrowings		19,559	22,135
		<u>68,492</u>	<u>60,530</u>
Net assets		<u>112,914</u>	<u>119,846</u>
Capital and reserves			
Share capital	10	10,014	10,014
Reserves		102,900	109,832
Total equity		<u>112,914</u>	<u>119,846</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

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

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

The address of the registered office and principal place of business of the Company are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 39/F, Monterey Plaza, 15 Chong Yip Street, Kwun Tong, Hong Kong respectively.

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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

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

HKFRS 16 “Leases”

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

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

As a lessee

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

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

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

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

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

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

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

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

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

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

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current assets			
Property and equipment	39,245	15,483	54,728
Prepayments and deposits	41,502	(222)	41,280
Current liabilities			
Lease liabilities	–	4,257	4,257
Non-current liabilities			
Lease liabilities	–	11,004	11,004

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

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

3. REVENUE

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

Revenue from goods and services

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of goods or services:		
IT security products business*		
– procurement of network security products, system security products and application and data security products	<u>225,268</u>	<u>227,248</u>
IT security services business*		
– provision of technical implementation services	30,887	25,882
– provision of maintenance and support services	<u>138,175</u>	<u>116,280</u>
	<u>169,062</u>	<u>142,162</u>
	<u>394,330</u>	<u>369,410</u>

* The segment names are defined in the section “Segment information” in note 4.

4. SEGMENT INFORMATION

Segment revenue and results

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

The Group's reportable and operating segments are therefore as follows:

- (1) IT security products business refers to the procurement of network security products, system security products and application and data security products by the Group; and
- (2) IT security services business refers to the provision of technical implementation and maintenance and support services to customers by the Group.

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

	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
For the year ended 31 March 2020			
Segment revenue	<u>225,268</u>	<u>169,062</u>	<u>394,330</u>
Segment results	<u>56,447</u>	<u>48,393</u>	104,840
Other income			1,073
Other gains and losses, net			(44)
Distribution and selling expenses			(24,807)
Administrative and other expenses			(48,492)
Net impairment losses on trade receivables and contract assets			(93)
Finance costs			<u>(1,459)</u>
Profit before taxation			<u>31,018</u>

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

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

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

5. TAXATION

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

For the year ended 31 March 2020 and 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one subsidiary of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

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

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

The Republic of Singapore ("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.

6. PROFIT FOR THE YEAR

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

7. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>23,344</u>	<u>26,174</u>
	2020 Number of shares '000	2019 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,001,446	1,000,877
Add: Effect of dilutive potential ordinary shares under share option scheme	<u>–</u>	<u>3,331</u>
Weight average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,001,446</u>	<u>1,004,208</u>

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

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

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

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

10. SHARE CAPITAL

Details of the shares of the Company are as follows:

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 1 April 2018	1,000,000,000	10,000
Issue of shares upon exercise of share options (Note)	<u>1,446,000</u>	<u>14</u>
At 31 March 2019 and 2020	<u>1,001,446,000</u>	<u>10,014</u>

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

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

11. DIVIDEND

A final dividend of HK\$0.01 per share of the Company in respect of the year ended 31 March 2020 has been proposed by the directors of the Company, which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

A final dividend of HK\$0.03 per share of the Company in respect of the year ended 31 March 2019 has been declared and paid by the Company during the year ended 31 March 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

OUTLOOK

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross profit and gross profit margin

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

Other income

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

Other gains and losses, net

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

Distribution and selling expenses

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

Administrative and other expenses

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

Finance costs

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

Taxation

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

Profit for the year attributable to owners of the Company

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

Cash flow

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

Dividend

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

We financed our operation mainly through cash generated from our operating activities. As at 31 March 2020 and 2019, we had cash and cash equivalents of approximately HK\$73.6 million and HK\$73.7 million respectively. The Group's gearing ratio, which is calculated based on the sum of bank borrowings and lease liabilities divided by total equity and multiplied by 100%, was approximately 31.0% and 22.1% as at 31 March 2020 and 2019 respectively.

CAPITAL STRUCTURE

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

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no significant capital commitment (31 March 2019: approximately HK\$300,000) in respect of property and equipment contracted but not provided for.

SEGMENT INFORMATION

An analysis of the Group's revenue from operating and reportable segment is set out in note 4 of the consolidated financial statements in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

CONTINGENT LIABILITIES

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in US\$. The sales of the Group are predominated in HK\$. The Group will continue to monitor the risk related to foreign exchanges. The Group did not use any hedging contracts to engage in speculative activities during FY2020.

CHARGE ON GROUP'S ASSETS

As at 31 March 2020, the Group's bank borrowings were secured by the properties located in Singapore and life insurance contracts entered into with a bank.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 90 employees (as at 31 March 2019: 86 employees) and most of them were working in the Hong Kong headquarters. We incurred staff costs inclusive of performance related bonus, bonus and directors' emoluments of approximately HK\$59.4 million and HK\$55.8 million for FY2020 and FY2019, respectively.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

Objectives	Implementation plan	Actual business progress up to the date of this announcement	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date up to the date of this announcement (HK\$ million)
Expansion and renovation of our Hong Kong headquarters	– Payment for renovation works for the new office premises with additional spaces for training and seminar rooms and warehouse	The Group completed the expansion of its headquarters which was fully operational in July 2017	3.2	3.2
Establishment of the Service Hub	– Purchase relevant hardwares such as monitors – Purchase detection devices, logging devices and servers – Maintain and/or upgrade detection devices, logging devices to support the smooth operation of the Service Hub	The Group completed the establishment of the Service Hub in July 2019	2.4	2.4
Expansion of operation in Singapore as our Service Hub and its renovation	– Deposit for the acquisition of new office premise for the Service Hub together with renovation of the same	The Group completed the expansion of its Singapore Service Hub which was fully operational in November 2018	22.5	22.5

Objectives	Implementation plan	Actual business progress up to the date of this announcement	Use of proceeds	Actual use of net proceeds from the GEM Listing Date up to the date of this announcement
			as stated in the Prospectus (HK\$ million)	(HK\$ million)
Upgrading our management system	<ul style="list-style-type: none"> – Initiate the implementation of a ERP System to integrate and automate our internal business processes – Set up a new web portal to form a community for IT professionals – Initiate the implementation of a business analytics platform to analyse our business performance and management reporting – Review and maintain the ERP System, web portal and business analytics platform 	The Group completed upgrading its management system in June 2019	3.7	3.7
Upgrading network infrastructure	<ul style="list-style-type: none"> – Maintain and/or upgrade relevant hardware such as servers and system monitoring etc. to ensure the smooth operation of the Hong Kong headquarters 	The Group had upgraded the network infrastructure which had been implemented in its business operations	1.2	1.2
Investment in demonstration Equipment	<ul style="list-style-type: none"> – Purchase additional demonstration equipment for the Group’s pitching activities 	Demonstration equipments were purchased for the Group’s pitching activities	3.0	3.0
Increasing our marketing efforts	<ul style="list-style-type: none"> – Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training, workshops, public relations event, sponsoring public events etc. 	Marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc, were carried out	1.2	1.2
Expanding our workforce	<ul style="list-style-type: none"> – Hire (i) two sales staff, seven IT technical staff and two administrative staff in Hong Kong; and (ii) three sales staff, four technical staff and two administrative staff in Singapore – Conduct training and workshops for our employees 	The Group employed twelve IT technical staff, nine sales staff and ten administrative staff in Hong Kong and Singapore	16.7	16.7
General working capital	<ul style="list-style-type: none"> – to be used as working capital and funding for other general corporate purposes according to our Group’s business plans 	The Group remains focused on maintaining and investing in the Group’s working capital to fund the Group’s business expansion and to enhance the Group’s operating liquidity which facilitate the growth of the Group’s business	2.1	2.1
Total			56.0	56.0

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

OTHER INFORMATION

Corporate Governance Practices

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

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

In the opinion of the Directors, save for the deviation of code provision A.6.7 of the CG Code, the Company has complied with the Code Provisions as set out in the CG Code during the year ended 31 March 2020 to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the non-executive Director, Dr. Kenny Tang was unable to attend the Company's annual general meeting held on 8 August 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for the year ended 31 March 2020 and up to the date of this announcement.

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

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company for the year ended 31 March 2020 and up to the date of this announcement.

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

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2020 and up to the date of this announcement.

COMPETING INTERESTS

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

APPOINTMENT OF DIRECTOR

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

FINAL DIVIDEND

The Board has recommended a final dividend of HK\$0.01 per Share (For the year ended 31 March 2019: HK\$0.03 per share) out of distributable reserve subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Details of the dividend for the year ended 31 March 2020 are set out in note 11 to the consolidated financial statements in this announcement, the final dividend will be payable on or around 31 August 2020 to the Company's shareholders whose names appear on the register of the members of the Company on Tuesday, 11 August 2020.

TRANSFER OF LISTING

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

The approval-in-principle has been granted by the Stock Exchange on 16 December 2019 for the Shares to be listed on the Main Board and to be delisted from GEM. The last day of dealings in the Shares on GEM (stock code: 8410) was 23 December 2019 and dealings the Shares on the Main Board (stock code: 1410) commenced on 24 December 2019. The Transfer of Listing has no effect on the existing share certificates in respect of the Shares which have continued to be good evidence of legal title and be valid for trading, settlement and registration purposes and have not involved any transfer or exchange of the existing share certificates.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 July 2020 to Friday, 31 July 2020, both dates inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and to vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 24 July 2020.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the annual general meeting. The record date for entitlement to the proposed final dividend is Tuesday, 11 August 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 7 August 2020 to Tuesday, 11 August 2020, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, for registration not later than 4:00 p.m. on Thursday, 6 August 2020.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 10 to the consolidated financial statements in this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient prescribed public float of 25% the total number of issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 March 2017 with written terms of reference, which was aligned with the CG Code. A revised term of reference has been adopted on 20 December 2019 to incorporate amendments to the Listing Rules. The revised terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee currently consists of three (3) independent non-executive Directors, namely Mr. Chan Siu Ming Simon, Mr. Ng Tsz Fung Jimmy and Mr. Yu Kwok Chun Raymond. Mr. Ng Tsz Fung Jimmy currently serves as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under rules 3.10(2) and 3.21 of the Listing Rules.

The annual results of the Company for the year ended 31 March 2020 have been audited. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

EVENT AFTER REPORTING PERIOD

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

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.edvanceintl.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 March 2020 containing all the information required by Appendix 16 of the Listing Rules will be published on the aforesaid websites of the Company and the Stock Exchange and will be despatched to the Company's shareholders in due course in accordance with the Listing Rules.

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

Hong Kong, 22 June 2020

As at the date of this announcement, the executive Directors are Mr. Liu Yui Ting Raymond, Mr. Lee Francis Sung Kei, Mr. Von John, and Mr. Lam Tak Ling, the non-executive Directors are Dr. Tang Sing Hing Kenny and Mr. Lo Wai Ho Ashley, and the independent non-executive Directors are Mr. Yu Kwok Chun Raymond, Mr. Ng Tsz Fung Jimmy, Mr. Chan Siu Ming Simon and Mrs. Wong Hung Flavia Yuen Yee.