



**edvance**

**Edvance International Holdings Limited**

**安領國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8410

**ANNUAL REPORT  
2016/17**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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

# CONTENTS

Corporate Information	3
Financial Summary	4
Chairman's Statement	6
Management Discussion and Analysis	7
Biographical Details of the Directors and Senior Management	12
Corporate Governance Report	19
Environmental, Social and Government Report	34
Directors' Report	40
Independent Auditor's Report	55
Consolidated Statement of Profit or Loss and Other Comprehensive Income	60
Consolidated Statement of Financial Position	61
Consolidated Statement of Changes in Equity	63
Consolidated Statement of Cash Flows	64
Notes to the Consolidated Financials Statements	66
Glossary of Technical Terms	122

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Dr. Tang Sing Hing Kenny

### Independent non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPLIANCE OFFICER

Mr. Von John

## COMPANY SECRETARY

Ms. Wong Man Shan Joyce (*HKICPA*)

## AUTHORISED REPRESENTATIVES

Mr. Von John  
Ms. Wong Man Shan Joyce

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## AUDITORS

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

## COMPLIANCE ADVISER

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

## PRINCIPAL BANKER

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

## COMPANY'S WEBSITE

[www.edvancesecurity.com](http://www.edvancesecurity.com)

## STOCK CODE

8410

# FINANCIAL SUMMARY

For the three years ended 31 March 2015, 2016 and 2017

	Year ended 31 March		
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>RESULTS</b>			
Revenue	222,060	176,999	125,459
Gross profit	61,528	53,193	37,544
Profit before taxation	585	17,960	6,722
(Loss) Profit for the year attributable to			
– owners of the Company	(5,414)	11,990	5,721
– non-controlling interests	3,124	2,702	(643)
(Loss) Profit for the year	(2,290)	14,692	5,078
Excluding non-recurring listing expenses	16,791	–	–
Normalized profit for the year attributable to owners of the Company	11,377	11,990	5,721

	As at 31 March		
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets	36,409	22,309	13,361
Current assets	118,201	83,905	50,200
Non-current liabilities	(22,532)	(13,842)	(15,972)
Current liabilities	(122,883)	(80,304)	(46,830)
Net current (liabilities) assets	(4,682)	3,601	3,370
Net assets	9,195	12,068	759

## FINANCIAL SUMMARY (continued)

For the three years ended 31 March 2015, 2016 and 2017

	Year ended 31 March		
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>CASH FLOWS</b>			
Net cash (used in) from operating activities	<b>(1,358)</b>	12,580	6,103
Net cash used in investing activities	<b>(5,897)</b>	(9,034)	(1,510)
Net cash from (used in) financing activities	<b>13,842</b>	2,135	(2,704)
Net increase in cash and cash equivalents	<b>6,587</b>	5,681	1,889
Cash and cash equivalents at beginning of the year	<b>12,494</b>	6,862	4,902
Effect of exchange rate changes	<b>(582)</b>	(49)	71
Cash and cash equivalents at end of the year	<b>18,499</b>	12,494	6,862

	Year ended 31 March		
	2017	2016	2015
<b>FINANCIAL RATIOS<sup>#</sup></b>			
Net profit margin *	<b>5.1%</b>	6.8%	4.6%
Return on equity *	<b>123.7%</b>	118.3%	320.1%
Return on total assets *	<b>7.4%</b>	11.3%	9.0%
Current ratio	<b>1.0</b>	1.0	1.1
Quick ratio	<b>0.9</b>	0.9	1.0
Gearing ratio	<b>295.5%</b>	101.8%	739.7%
Debt to equity ratio	<b>94.3%</b>	Net cash	Net cash
Interest coverage *	<b>15.0</b>	27.5	26.6
Average inventory turnover days	<b>19</b>	24	19
Average trade receivables turnover days	<b>81</b>	61	55
Average trade payables turnover days	<b>61</b>	54	35

\* Excluding non-recurring listing expenses

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

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Edvance International Holdings Limited (the "Company"), I am pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017 ("FY2017").

With regards to our financial performance for FY2017 as compared with the year ended 31 March 2016 ("FY2016"), our revenue increased by approximately HK\$45.1 million, or 25.5% from approximately HK\$177.0 million to approximately HK\$222.1 million. The loss for the year of the Company in FY2017 was approximately HK\$2.3 million. Excluding the non-recurring listing expenses of approximately HK\$16.8 million, the Group should have recorded profit for the year of the Company, representing a slight decrease of approximately HK\$0.2 million or 1.3% from approximately HK\$14.7 million in FY2016 to approximately HK\$14.5 million in FY2017.

Capitalized on the expertise of our staff led by our capable management, we have promising results in FY2017 and proven the Group's leading position in the IT Security Solutions industry.

Successful listing on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 April 2017 (the "Listing") symbolized our new milestone. The Listing enhances our reputation as well as boosting the confidence of our customers and suppliers. It allows a platform for our sustainable development and continuous improvement.

Looking ahead, we continue to capture the growing business opportunities in the IT Security Solutions market in the Asia Pacific region by (i) strengthening our leading position in the IT Security Solutions market in Hong Kong; and (ii) actively exploring the Singapore and its neighboring markets by expanding our existing operation in Singapore as our service hub.

Finally, on behalf of the Board, I would like to express my sincere thanks to all business partners, customers and suppliers for their ongoing support and last but not least, our dedicated staff for their valued contributions throughout our development.

**LIU Yui Ting, Raymond**

*Chairman and Executive Director*

Hong Kong, 23 June 2017

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

As an IT Security Solutions value-added distributor, we introduce IT Security Products and provide related IT Security Services to Hong Kong, the PRC, Singapore and various markets. IT Security Products refer to the procurement of network security products, system security products and application and data security products. IT Security Services refer to the provision of technical implementation, maintenance and support and consultancy services.

Our customers are mainly IT companies which act as resellers in providing overall IT Solutions to end-users. Our suppliers are mainly multinational corporations which provide IT Security Products, including hardware, software and auxiliary products.

In FY2017, IT Security Products and IT Security Services accounted for approximately 57.3% (FY2016: 60.4%) and 42.7% (FY2016: 39.6%) the total revenue respectively. Our principal operation is in Hong Kong which accounted for 84.0% (FY2016: 70.2%) of the total revenue.

## OUTLOOK AND PROSPECTS

According to an independent market research report prepared by Frost and Sullivan International Limited ("F&S Report"), the expected market size and compound annual growth rate ("CAGR") of IT Security Solutions industry for respective locations from 2016 to 2020 are: (i) Hong Kong: a CAGR of 16.9% and realizing USD396.6 million in 2020; (ii) the PRC: a CAGR of 22.8% and realizing USD14,778.5 million in 2020; (iii) Singapore: a CAGR of 25.6% and realizing USD652.8 million in 2020; and (iv) Macau: a CAGR of 14.6% and realizing USD44.6 million in 2020. For details, please refer to the section "Industry Overview" in the prospectus dated 31 March 2017 (the "Prospectus").

Cybersecurity has been an increasingly hot area of discussion, with the emergence and proliferation of big data, cloud computing, and data analytics. As more and more information is being collected, ensuring the security of such data is crucial to both businesses and consumers. It is a global issue and one that touches all organizations and functions, and there needs to be an organizational understanding of cybersecurity issues and their impacts on the business.

In the light of growing business opportunity, our Group will continue to leverage our competitive strengths (including good relationship with business partners and strong technical expertise) on our leading position in the IT Security Solutions market in Hong Kong; to broaden our IT Security Products portfolio; and to strengthen our sales and marketing and technical support functions.



# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## FINANCIAL REVIEW

### Revenue

Our revenue increased by approximately HK\$45.1 million, or 25.5% from approximately HK\$177.0 million to approximately HK\$222.1 million. The increase was mainly due to the introduction of new vendors and the growth in sales of the existing products carried out by our Group with increased market penetration of such products.

### Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.3 million, or 15.7% from approximately HK\$53.2 million to approximately HK\$61.5 million. The increase was in line with the increase in revenue.

Our gross profit margin slightly decreased from 30.1% to 27.7%. The decrease was mainly due to the competitive pricing offered for increasing market share and penetration.

### Other income

Our other income mainly comprises of (i) bank interest income; and (ii) interest income from deposits for life insurance contracts that we have purchased for our Directors and senior staffs, details of which is disclosed in the Prospectus.

The amounts were relatively stable at approximately HK\$0.6 million and HK\$0.7 million in FY2017 and FY2016 respectively.

### Other gains and losses, net

Our other gains and losses mainly comprises of (i) allowance for bad and doubtful debts; (ii) fair value changes of derivative financial instruments; (iii) net foreign exchange gains (losses); and (iv) loss on disposal of property and equipment.

The amounts were approximately gains of HK\$58,000 and losses of HK\$0.9 million in FY2017 and FY2016 respectively. The change was mainly due to (i) positive fair value changes of derivative financial instruments and net foreign exchange gains recognised in FY2017 while there was negative fair value changes of derivative financial instruments and net foreign exchange losses recognised in FY2016. The gain recognised were and partially offset by loss on disposal of property and equipment arising from removal of new Hong Kong headquarters.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## Distribution and selling expenses

Our distribution and selling expenses decreased by approximately HK\$0.7 million, or 3.8% from approximately HK\$18.2 million to approximately HK\$17.5 million. The decrease was mainly due to more cost savings on travelling and entertainment.

## Administrative expenses

Our administrative expenses increased by approximately HK\$9.9 million, or 61.1% from approximately HK\$16.2 million to approximately HK\$26.1 million. The increase was mainly due to the combined effect of (i) additional rental for the Group's new headquarter in Hong Kong, and (ii) increase in Directors' emoluments and professional fees to cope with the Group's expansion.

## Finance costs

Our finance costs increased by approximately HK\$0.5 million, or 71.4% from approximately HK\$0.7 million to approximately HK\$1.2 million. The increase was mainly due to the increased bank borrowings for financing the Group's expansion.

## Taxation

Our taxation decreased by approximately HK\$0.4 million, or 12.1% from approximately HK\$3.3 million to approximately HK\$2.9 million. The decrease was mainly due to lower taxable profit in FY2017 as a result of slightly decreased gross profit margin and increase in administrative expenses.

## Loss for the year attributable to owners of the Company

The loss attributable to owners of the Company in FY2017 was approximately HK\$5.4 million. Excluding the non-recurring listing expenses of approximately HK\$16.8 million, the Group should have recorded profit attributable to owners of the Company, which was slightly decreased by approximately HK\$0.6 million or 5.0% from approximately HK\$12.0 million to approximately HK\$11.4 million in FY2017.

## Cash flow

The cash used in operating activities in FY2017 was about HK\$1.4 million while the cash generated from operating activities in FY2016 was about HK\$12.6 million. The decrease was mainly due to non-recurring listing expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The cash used in investing activities in FY2017 was about HK\$5.9 million while the cash used in investing activities in FY2016 was about HK\$9.0 million. The decrease was mainly due to the increase in additional purchase of leasehold improvement and furniture, fixtures and office and computer equipment of approximately HK\$5.9 million which was partially offset by less payment for life insurance contracts from approximately HK\$9.4 million to nil.

The cash generated from financing activities in FY2017 was about HK\$13.8 million while the cash generated from operating activities in FY2016 was about HK\$2.1 million. The increase was mainly due to additional bank borrowings for the Group's operation.

### LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operation mainly through cash generated from our operating activities and bank borrowings. As at 31 March 2017 and 2016, we had cash and cash equivalents of approximately HK\$18.5 million and HK\$12.5 million respectively.

The Group's gearing ratio, which is calculated based on the total debt (defined as the sum of the amounts due to related parties, amounts due to directors, bank borrowings and obligation under finance leases as at the respective year end divided by total equity as at the respective year-end) was approximately 295.5% and 101.8% as at 31 March 2017 and 2016 respectively.

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the sum of the amounts due to related parties, amounts due to directors, bank borrowings and obligation under finance leases minus cash and cash equivalents as at the respective year end divided by total equity as at the respective year-end) was approximately 94.3% as at 31 March 2017 while there was net cash as at 31 March 2016.

We believe our liquidity position would further be strengthened by using the combined of cash generated from operating activities and the net proceeds received from the Listing. Going forward, we intend to use working capital in accordance with the "Business objectives and future plans" in the prospectus dated 31 March 2017 (the "Prospectus").

### CAPITAL STRUCTURE

As at 31 March 2017, the capital structure of the Company comprised issued share capital and reserves.

### COMMITMENTS

As at 31 March 2017, the Group has capital commitments of approximately HK\$0.2 million in respect of property and equipment contracted but not provided for.

### SEGMENT INFORMATION

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

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies save for those related to the reorganization, for which the details are set out in the Prospectus.

## CONTINGENT LIABILITIES

As at 31 March 2017, the Group has no material contingent liabilities.

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

Our foreign exchange gains or losses mainly comprise of (i) the transactional exchange difference primarily arising from settlement of our trade payables denominated in US\$; and (ii) the translational differences of the US\$ denominated assets and liabilities, primarily including deposits for the life insurance contracts for our Directors and senior staff, trade and other payables and bank borrowings.

The Group did not use any hedging contracts to engage in speculative activities during FY2017.

## CHARGE ON GROUP'S ASSETS

As at 31 March 2017 and 2016, the Group's bank borrowings and obligation under finance leases were secured by life insurance contracts and motor vehicles as set out in notes 23 and 24 of the audited financial statements.

## INFORMATION ON EMPLOYEES

As at 31 March 2017, the Group had 76 employees (31 March 2016: 62) and most of them were working in Hong Kong headquarter. We incurred staff costs inclusive of performance related bonus, bonus and directors' emoluments in the aggregate of approximately HK\$39.7 million and HK\$32.5 million for FY2017 and FY2016, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our salary review and promotional appraisal in order to attract and retain talented employees. For our sale staffs, we offer a package comprises of basic salary and performance incentive scheme.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Liu Yui Ting Raymond** (廖銳霆), aged 48, was appointed as the chairman and re-designated as an executive Director on 21 November 2016. He is one of the founders of our Group and has been a director of certain subsidiaries of the Company, namely Edvance Technology (HK) Limited, Edvance Consulting (HK) Limited, Edvance Holdings Limited, Edvance Technology (China) Limited\*, Edvance Technology (Macau) Limited and Edvance Technology (Singapore) Pte. Ltd., since their respective inception. Mr. Liu is responsible for the overall business development, strategic planning and major decision-making of our Group. Mr. Liu is also a shareholder and director of Success Vision International Group Limited ("Success Vision"), the controlling shareholder of the Company, which is beneficially interested in approximately 57% of the total issued share capital of the Company.

Mr. Liu has over 25 years of experience in the IT industry. Mr. Liu was an analyst programmer of PowerGen Plc, a power generation company, from August 1991 to January 1994, and he was responsible for IT application development. Mr. Liu then worked at Hewlett-Packard Hong Kong Ltd ("HP (Hong Kong)"), from October 1994 to October 2000, and he last served as a consultant responsible for managing large scale IT bids and projects implementation. He was a vice president of e2 Tech Advisory Group Limited, a subsidiary of e2-Capital (Holdings) Limited (currently known as FDG Kinetic Limited) (stock code: 378) and principally engaged in financing, securities trading and asset investments, from October 2000 to March 2001, and was responsible for managing business and technology consulting projects. He was the vice president of Ebizal Consulting (Hong Kong) Limited from April 2001 to November 2001, and he was responsible for overseeing the business and technology consulting team.

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

**Mr. Lee Francis Sung Kei** (李崇基), aged 39, was appointed as the chief executive officer and an executive Director on 21 November 2016. He joined our Group in May 2004 as an associate consultant and was promoted in as the director of the product strategy and management department of Edvance Technology (HK) Limited, a subsidiary of the Company, in November 2014. He is currently responsible for the overall business development, strategic planning and major decision-making of our Group.

Mr. Lee has over 15 years of experience in the IT industry. Mr. Lee was a web master of Phoenix Travel Group, a travel agency in London, from October 2000 to February 2003, and he was primarily responsible for the analysis, design and programming of web-based applications. Mr. Lee was a technical engineer of Accenture Technology Solutions Limited, which is principally engaged in the application development, administration and software maintenance, from February 2003 to March 2004, and he was responsible for development and consulting application.

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

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Lo Wai Ho Ashley** (羅偉浩), aged 52, was re-designated as an executive Director on 21 November 2016. He is one of the founders of our Group and has been a technology director since August 2002. He is responsible for providing technological strategic advice to our Group. Mr. Lo is also a shareholder and director of Success Vision, the controlling shareholder of the Company, which is beneficially interested in approximately 57% of the total issued share capital of the Company.

Mr. Lo has over 27 years of experience in the IT industry. Prior to joining to our Group, he was a software engineer of datap systems division of Sandwell Inc., whose principal business is the development of IT systems, from December 1989 to August 1992, and he was responsible for system development. Mr. Lo was a system engineer of epic data division of Sylogist Ltd., which is principally engaged in the development of IT systems, from September 1992 to October 1995, and he was responsible for system development. From 1999 to August 2002, Mr. Lo was a technology director of Edeas Limited, a digital agency based in Hong Kong.

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

Mr. Lo was a director of Eureka Digital Ideas Limited (裕德堂多媒體概念有限公司) ("Eureka"), a private company incorporated in Hong Kong in November 1995. Eureka was dissolved by voluntary deregistration pursuant to Section 751 of the Companies Ordinance on 8 May 2015. Prior to its deregistration, Eureka was principally engaged in web design. Mr. Lo confirmed that Eureka was solvent and ceased operation at the time of it being dissolved by deregistration voluntarily.

**Mr. Von John** (黃繼明), aged 52, was appointed as an executive Director on 21 November 2016. He joined our Group in August 2015 initially as a support business director and was promoted as a business operations director in June 2016. He is responsible for the overall business operation of our Group. Mr. Von is also the sole shareholder and the sole director of Mind Bright Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 6% of the total issued share capital of the Company.

Mr. Von has over 27 years of experience in business consulting industry. Mr. Von was a senior system developer of Vertex System Resources Limited, which is principally engaged in the provision of business process solutions for the oil and gas industry from May 1989 to September 1993, and he was responsible for the application development and project implementation. From June 1993 to December 1994, Mr. Von was a programmer analyst of Manalta Coal Ltd., which is principally engaged in coal production in Canada, and he was responsible for assisting in the development of computer applications. He was a consultant of HP (Hong Kong), from January 1995 to September 1997, and he was responsible for project implementation in ERP domain. He then joined Price Waterhouse Co., Ltd. as a senior consultant of the management consultancy services department from September 1997 to December 1998, and he was responsible for management consultancy services. He worked in IBM China/Hong Kong Limited from January 1999 to March 2001, and his last position was a consultant providing business innovation services function. He worked in Philips Electronics Hong Kong Limited from August 2002 to June 2012, and his last position was a director of supply chain modeling in consumer lifestyle. He was the director of service delivery management of VF Asia Limited from June 2012 to November 2013 and of VF Asia Pacific Sourcing S. à r. l. from November 2013 to February 2015, and he was responsible for service delivery management.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

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

**Mr. Lam Tak Ling** (林德齡), aged 46, was appointed as an executive Director on 21 November 2016. He joined our Group in January 2011 and he is responsible for managing the overall development of enterprise solutions.

Mr. Lam has over 19 years of experience in the IT industry. He joined HP (Hong Kong) in September 1997 and subsequently Hewlett-Packard HKSAR Ltd., (“HP (HKSAR)”) and his last position prior to his departure in December 2010 was program manager.

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

### NON-EXECUTIVE DIRECTOR

**Dr. Tang Sing Hing Kenny** (鄧聲興), aged 48, was appointed as a non-executive Director on 21 November 2016. Mr. Tang is also the sole shareholder and the sole director of Earning Gear Inc., a substantial shareholder of the Company, which is beneficially interested in approximately 7.5% of the total issued share capital of the Company.

Dr. Tang has over 23 years of experience in the financial and securities sector. From May 1993 to July 1993, he was an executive trainee of the Bank of East Asia Limited. He was a research manager of C.A. Pacific Group, from January 1994 to February 1998, and he was responsible for the daily operation of the research department. From February 1998 to October 2008, Dr. Tang was an associate director of Tung Tai Securities Co., Ltd. He worked in Redford Asset Management Limited from November 2008 to February 2011, and his last position was the head of research and executive director. He was a vice president of the securities and asset management department of AMTD Asset Management Ltd. from January 2011 to March 2015. Dr. Tang has worked as a responsible officer of Jun Yang Securities Company Limited and Jun Yang Asset Management Company Limited since June 2015 and March 2016 respectively.

Dr. Tang has been an independent non-executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893) and principally engaged in sale and development of personal care products, since September 2014 and an executive director of Jun Yang Financial Holdings Limited (stock code: 397) and principally engaged in financial services and solar energy business, since June 2015, both of these two companies are listed on the main board of The Stock Exchange of Hong Kong Limited.

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yu Kwok Chun Raymond** (余國俊), aged 61, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our audit committee and nomination committee, and is the chairman of our remuneration committee. Mr. Yu has over 33 years of experience in IT industry. He worked at the Hongkong and Shanghai Banking Corporation Limited from January 1983 to December 1989 and he last served as project manager responsible for systems maintenance and implementation support. From January 1990 to 1992, Mr. Yu worked as the head of the information technology department of Standard Chartered Trust Group in the Hong Kong and Asia Pacific region and he was responsible for overseeing system development maintenance, support and operation activities. From 1992 to 1994, Mr. Yu worked as a program manager of Digital Equipment Corporation, which is principally engaged in the provision of implementation and supporting networked business solutions, and he was responsible for managing large systems integration projects. Mr. Yu was a senior consultant of IBM Hong Kong Limited from 1994 to 1995, and he was responsible for development of consulting services business in the banking sector in China. From May 1995 to August 2000, Mr. Yu was a managing consultant of HP (HKSAR) and was primarily responsible for managing consulting services businesses for the financial services industry. From 2000 to 2002, Mr. Yu was a chief information officer of Saggio Asia Pacific Limited, which is principally engaged in sale of office supplies and equipment, and he was responsible for implementation of an e-procurement system across the region. From March 2003 to October 2006, Mr. Yu was a senior managing consultant of HP (HKSAR), and he was primarily responsible for managing consulting services businesses for the financial services industry. From May 2007 to June 2012, Mr. Yu worked at the Hongkong and Shanghai Banking Corporation Limited and, he last served as a senior manager of the change delivery department and he was responsible for business process re-engineering and standardisation.

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



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Ng Tsz Fung Jimmy** (吳子豐), aged 54, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our nomination committee and remuneration committee, and is the chairman of our audit committee.

Mr. Ng has approximately 29 years of experience in finance and accounting. He worked as an auditor of Kennic L.H. Lui & Co., from August 1988 to January 1989. From January 1989 to March 1993, Mr. Ng worked as a senior manager of Lewis Luk & Co., which is a legal firm and he was primarily responsible for human resources, finance and administration. Mr. Ng was a chief finance officer of GEM Group Consultant Limited from May 1993 to April 1999, and he was responsible for accounting, company secretary, auditing, administration and human resources management. From May 1999 to April 2001, Mr. Ng was a general manager of Tianjin Viction (Group) Company\* (天津維信集團有限公司), and Mr. Ng was responsible for human resources management and financial management, and the sales of the import and export businesses. From May 2001 to May 2002, Mr. Ng worked as a chief finance officer of GEM Group Consultant Limited, and he was responsible for providing advices on financial matters, company reorganisation, human resources management and corporate management. From March 2003 to April 2005, Mr. Ng worked as a vice president of G&A Manufacturing Company Limited, which is principally engaged in the garment industry, and he was responsible for the finance, human resources management and business operation. From May 2005 to December 2006, Mr. Ng worked at Goldsland Holdings Company Limited\* (廣新控股有限公司) and his last position held was chief investment officer, and he was responsible for managing internal affairs of the company and all related issues including due diligence on potential investment prospects of the company. From December 2006 to September 2014, Mr. Ng was the chief operating officer of GEM Group Consultant Limited. Since September 2014, Mr. Ng is the general manager of the control management division of Bridgestone Aircraft Tire Co (Asia) Limited.

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

**Mr. Chan Siu Ming Simon** (陳兆銘), aged 49, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our remuneration committee and audit committee, and is the chairman of our nomination committee.

Mr. Chan has over 15 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in November 2003. He joined Baker Mckenzie as a trainee solicitor in September 2001 and became an associate from September 2003 to January 2008. Mr. Chan has been the vice president of the legal department of Langham Hospitality Group since January 2008.

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

\* For identification purpose only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior Management

**Mr. Chan Hoi Chu** (陳海曙), aged 46, joined our Group in April 2012. He is a consulting services director and he is primarily responsible for overseeing the consulting services of our Group.

Mr. HC Chan has over 13 years of experience in information technology industry. He was a project engineer of Champion Technology Ltd from July 1992 and August 1994, and he was responsible for system installation and commissioning, product hardware and software design and component sourcing. He was a research assistant in the department of computer science of City University of Hong Kong from September 1994 to April 1995, and he was responsible for research. He was a system analyst of New World Telephone Limited, which is a telecommunication service provider, from May 1995 to May 1996, and he was responsible for system development and support. He was an information services consultant of Unisys (Asia) Limited, which is an information technology company, from June 1996 to May 1997, and he was responsible for system development, support, and project management. Mr. Chan joined HP (Hong Kong) in June 1997 and subsequently HP (HKSAR) and his last position prior to his departure in December 2011 was a manager consultant.

Mr. HC Chan obtained a bachelor of engineering degree from The University of Hong Kong in December 1992 and a master of business administration degree from The Chinese University of Hong Kong in December 1999. He was awarded the credential of certified information system security professional by the International Information Systems Security Certification Consortium in 2012. He became qualified as certified in the governance of enterprise IT of Information Systems Audit and Control Association (ISACA) in October 2013. He was awarded the credential of project management professional by the Project Management Institute in April 2014 and PECB certified ISO/IEC 27001 lead auditor by Professional Evaluation and Certification Board in September 2015.

**Mr. Tang Sui Cheong** (鄧瑞昌), aged 48, joined our Group in January 2015. He is a technical services director and he is responsible for overseeing the overall technical services of our Group.

Mr. Tang has 25 years of experience in the IT industry. Mr. Tang worked in Hospitality Data Resources Ltd., from August 1991 to December 1995, and his last position was systems support manager responsible for testing, quality assurance programming enhancements, system installation and implementation. He was a technical manager of City Smart Limited, which is a system consultant and integrator, from July 1996 to March 1999, and he was primarily responsible for supervision of the implementation of smart card system. He was a development manager of Logistics Information Network Enterprise (HK) Limited, from January 2002 to December 2003. He was a contract project manager of InfoTech Services (Hong Kong) Ltd from February 2004 to November 2004, and he participated in projects at the Housing Department of the Hong Kong Government. He joined HP (Hong Kong) in October 2005 and subsequently HP (HKSAR) and his last position prior to his departure in December 2014 was customer project/program manager.

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Chow Yuen Wai** (鄒遠威), aged 37, joined our Group in April 2009. He is a channel business director and he is responsible for overseeing the overall channel business with resellers.

Mr. Chow has over 11 years of experience in sales and marketing. Mr. Chow worked as a channel account manager of Datalink Business Solutions Limited, which is principally engaged in the IT products distribution from 2005 to 2008, and he was responsible for channel account management. From 2008 to 2009, Mr. Chow worked as a business development manager of Digital China (Hong Kong) Ltd., which is principally engaged in the IT products distribution, and he was responsible for business development.

Mr. Chow obtained a higher diploma of communications engineering from the Hong Kong Technical College in July 2000.

**Ms. Law Wai Chi** (羅偉慈), aged 37, joined our Group in December 2003. She is an internal control and compliance director and she is responsible for managing internal compliance matters of our Group.

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

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

### COMPANY SECRETARY

**Ms. Wong Man Shan Joyce** (王敏珊), aged 32, joined our Group in October 2016 and was appointed as our company secretary. Ms. Wong is primarily responsible for overseeing the company secretarial matters of our Group.

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

Ms. Wong graduated from Macquarie University in Australia with a bachelor of commerce degree in accounting in April 2006. She is a certified member of the Hong Kong Institute of Certified Public Accountants.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The board of directors of the Company (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.

As the shares of the Company (the “Shares”) was listed on 19 April 2017 (the “Listing Date”), the disclosure requirements under Corporate Governance Code was not applicable. However, in the opinion of the Directors, the Company has complied with the principles and the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 15 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Listing Rules”) from the Listing Date up to the date of this report.

## THE BOARD

### Responsibilities

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

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

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

# CORPORATE GOVERNANCE REPORT (continued)

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

- (a) to develop and review our Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review our Group's compliance with the CG Code and disclosure in the corporate governance report.

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

## Composition

The nomination committee of the Company (the "Nomination Committee or "NC") ensures the composition of the Board a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current composition of five (5) executive Directors, one (1) non-executive Director and three (3) independent non-executive Directors ("INED") can effectively exercise independent judgment. The Directors from the Listing Date up to the date of this report were:

### Executive Directors

Mr. Liu Yui Ting Raymond ( <i>Chairman</i> )	(appointed on 7 July 2016)
Mr. Lee Francis Sung Kei ( <i>Chief Executive Officer</i> )	(appointed on 21 November 2016)
Mr. Lo Wai Ho Ashley	(appointed on 7 July 2016)
Mr. Von John	(appointed on 21 November 2016)
Mr. Lam Tak Ling	(appointed on 21 November 2016)

### Non-executive Director

Dr. Tang Sing Hing Kenny	(appointed on 21 November 2016)
--------------------------	---------------------------------

### Independent non-executive Directors

Mr. Yu Kwok Chun Raymond	(appointed on 23 March 2017)
Mr. Ng Tsz Fung Jimmy	(appointed on 23 March 2017)
Mr. Chan Siu Ming Simon	(appointed on 23 March 2017)

## CORPORATE GOVERNANCE REPORT (continued)

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 Listing Date, subject to retirement and re-election in accordance to the Articles of Association of the Company and the GEM 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 commencing from 21 November 2016 and the Listing Date respectively, subject to retirement and re-election in accordance to the Articles of Association of the Company and the GEM Listing Rules and terminated by either the Company or the Director giving each other a three months' notice in writing.

Pursuant to the Article 112 of the Company's Articles of Association and the GEM Listing Rules, all the current Directors, who were appointed by the Board to fill casual vacancy during the year, shall hold office only until the first general meeting of the Company and shall then be eligible for re-election at such meeting, therefore, all current Directors will retire at the conclusion of the forthcoming annual general meeting of the Company be held on Monday, 14 August 2017 ("2017 AGM") and be eligible to offer themselves for re-election at the 2017 AGM. The Board and the Nomination Committee of the Company has recommended the re-election of all the retiring Directors standing for re-election at the 2017 AGM.

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

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

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

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

### CONTINUOUS PROFESSIONAL DEVELOPMENT

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

## CORPORATE GOVERNANCE REPORT (continued)

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board committees meetings procedures, business, management and operations of the Group, etc. and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements in the Cayman Island and Hong Kong. During the year, all the Directors participated in the induction programme regarding directors' responsibilities and obligations under the GEM Listing Rules conducted by the Company's legal adviser, which covered, among other topics, the CG Code and directors' and the Company continuing obligations.

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

The individual training record of each Director received during the year ended 31 March 2017 is summarised below:

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

### BOARD MEETINGS

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

## CORPORATE GOVERNANCE REPORT (continued)

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

Directors and Committees' members may participate either in person or through electronic means of communications. Directors and Committees' members are free to contribute and share their views at meetings and major decisions only be taken after deliberation at meetings. Directors and Committees' members who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. During the year ended 31 March 2017, the Company held a board meeting to consider and approve the relevant resolutions in relation to the issues of listing the Shares in GEM of Stock Exchange. As the Shares were listed on 19 April 2017, as at 31 March 2017, the Board did not hold regular meetings as well as meetings for the Committees. 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:

Name of Directors	Attendance record of Directors at the meetings				
	AGM/EGM	Board	AC	RC	NC
<b>No. of Meeting</b>	N/A	2	1	1	1
Mr. Liu Yui Ting Raymond		2/2	1/1		1/1
Mr. Lee Francis Sung Kei		2/2			
Mr. Lo Wai Ho Ashley		1/2			
Mr. Von John		2/2			
Mr. Lam Tak Ling		2/2			
Dr. Tang Sing Hing Kenny		1/2			
Mr. Yu Kwok Chun Raymond		1/2	1/1	1/1	1/1
Mr. Ng Tsz Fung Jimmy		1/2	1/1	1/1	1/1
Mr. Chan Siu Ming Simon		1/2	1/1	1/1	1/1

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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



# CORPORATE GOVERNANCE REPORT (continued)

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

## BOARD COMMITTEES

The Board has established three Board Committees, namely, the audit committee ("AC"), the remuneration committee ("RC") and the NC, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.edvancesecurity.com](http://www.edvancesecurity.com). All the Board Committees should report to the Board on their decisions or recommendations made.

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

## AUDIT COMMITTEE

The AC is delegated with the authority from the Board to provide independent oversight of the Group's financial reporting and internal control systems, and the adequacy of the external audits.

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

The members of the AC should meet at least once every six (6) months to consider the budget, revised budget, interim report and annual report prepared by the Board and meet the external auditors at least twice a year. As the Shares were listed on 19 April 2017, the AC did not hold any meeting during the year ended 31 March 2017. The first meeting of the AC was held on 23 June 2017. The individual attendance records of the each member at the meeting of the AC is set out on page 23 of this annual report.

Set out below is a summary of the audit work and related tasks, inter alia, performed by the AC in the meeting held on 23 June 2017:

1. reviewed the draft audited annual financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval;
2. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;
3. assessed the independence of the Company's external auditor;

## CORPORATE GOVERNANCE REPORT (continued)

4. recommended to the Board regarding the appointment and remuneration of the external auditor;
5. reviewed the adequacy and effectiveness of the Group's systems of risk management and internal controls through a review of the work undertaken by the Group's external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board; and
6. reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions through a review of the work undertaken by the Group's senior financial management.

### AUDITOR'S REMUNERATION

During the year ended 31 March 2017, 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	2017 HK\$'000	2016 HK\$'000
Audit for the year	1,000	646
Initial public offering	2,400	–
Others	261	255

### NOMINATION COMMITTEE

The NC is delegated with the authority from the Board to formulate and implement the policy for nominating Board candidates for election by Shareholders and assess INED's independence and commitment.

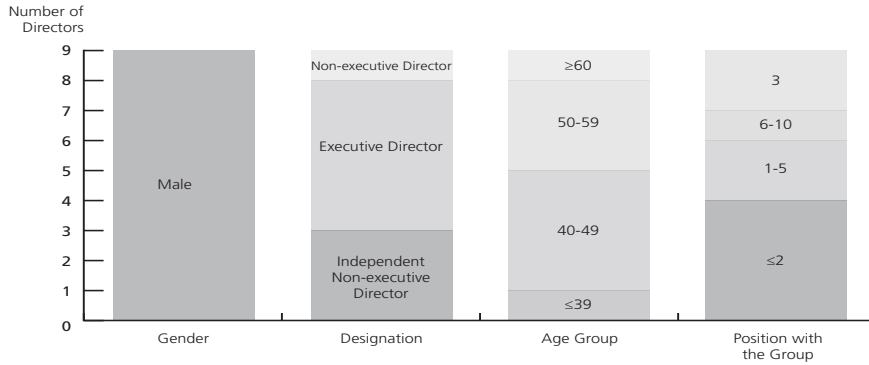
The NC consists of one (1) executive Director, namely Mr. Liu Yui Ting Raymond, and all three (3) independent non-executive Directors, namely Mr. Chan Siu Ming Simon, Mr. Ng Tsz Fung Jimmy and Mr. Yu Kwok Chun Raymond. Mr. Chan Siu Ming Simon currently serves as the chairman of the NC.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

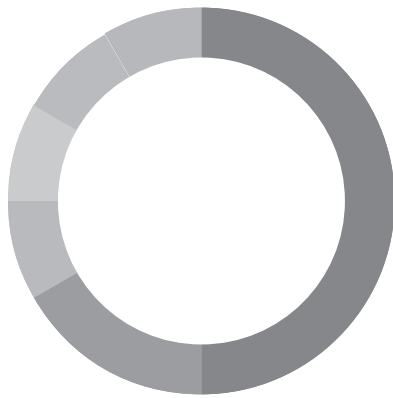
- (a) With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.
- (b) In designing the Board's composition, Board diversity 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.
- (c) All Board appointments be based on meritocracy, and candidates be considered against objective criteria, having due regard for the benefits of diversity on the Board.

# CORPORATE GOVERNANCE REPORT (continued)

Analysis of the diversity of the Board by NC is shown by the following charts:

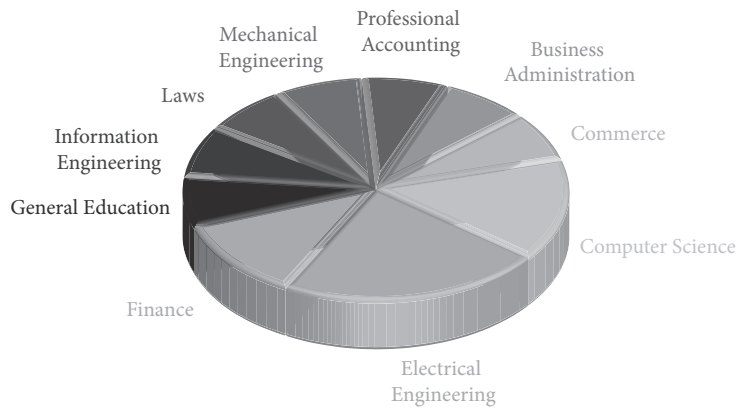


## Business Experiences



- IT industry – Innovation, Development Implementation, Application, Maintenance & Consultancy
- Finance, Securities, Assets Management & Research
- Auditing, Accounting, Financial Management & Company
- Human Resources Management and Administration
- Company Reorganisation & Corporate Management
- Legal

## Academic Background



## CORPORATE GOVERNANCE REPORT (continued)

The members of the NC should meet before the holding of an annual general meeting of the Company where appointment of the Directors will be considered. As the Shares were listed on 19 April 2017, the NC did not hold any meeting during the year ended 31 March 2017. The first meeting of the NC was held on 23 June 2017. The individual attendance records of the each member at the meeting of the NC is set out on page 23 of this annual report.

Set out below is a summary of the work and related tasks, inter alia, performed by the NC in the meeting held on 23 June 2017:

1. assessed the structure, size and composition of the Board and make recommendations on any proposed changes to the Board, if any.
2. reviewed the analysis of the diversity of the Board.
3. studied the independence of each independent non-executive Director in accordance with the GEM Listing Rules.
4. identified those Directors to be retired from the Board in the 2017 AGM and then be re-elected as Director in the same meeting in accordance with the Company's Articles of Association and the GEM Listing Rules.
5. reviewed and ratified the service contract(s) entered with all Director.

### REMUNERATION COMMITTEE

The RC is delegated with the authority from the Board to establish, review, and make recommendations to the Board on the Group's remuneration policy and practices. The RC ensures that all employees and Executive and Non-executive Directors are appropriately remunerated in accordance with the Group's strategy as well as its long-term and short-term performance.

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

The members of the RC should meet at least once a year. As the Shares were listed on 19 April 2017, the RC did not hold any meeting during the year ended 31 March 2017. The first meeting of the RC was held on 23 June 2017. The individual attendance records of the each member at the meeting of the RC is set out on page 22 of this annual report.

Set out below is a summary of the work and related tasks, inter alia, performed by the RC in the meeting held on 23 June 2017:

1. reviewed the policy and structure of the remuneration for all the Directors and senior management as well as the remuneration packages paid during the year ended 31 March 2017.
2. reviewed all the senior management's remuneration paid during the year ended 31 March 2017 with reference to the Board's corporate goals and objectives.

## CORPORATE GOVERNANCE REPORT (continued)

3. considered the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
4. reviewed and made recommendation to the Board on the remuneration packages of individual Directors and senior management for the coming year.
5. reviewed and ratified service contracts signed by the Directors.

### COMPLIANCE ADVISER

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

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where the Company propose to use the proceeds of the Share Offer in a manner different from that detailed in the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the prospectus; and
- (d) where the Stock Exchange makes an inquiry of the Company under rule 17.11 of the GEM Listing Rules.

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

### COMPANY SECRETARY

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

Ms. Wong Man Shan Joyce was appointed as the Company Secretary of the Company in October 2016. She has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2017, the Company Secretary has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

# CORPORATE GOVERNANCE REPORT (continued)

## DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 March 2017 by the auditors about their reporting responsibilities that give a true and fair view of the state of affairs, results and cash flows of the Company and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 55 to 121 of this report.

## DIRECTORS' SECURITIES TRANSACTIONS

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

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

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company from the Listing Date up to the date of this report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

## CORPORATE GOVERNANCE REPORT (continued)

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

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

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

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

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

For the year ended 31 March 2017, the Board conducted a review of the effectiveness of the risk management and internal control system, which covered the financial, operational, compliance and risk management. The Board considered that the system of the Group to be adequate and effective for the year ended.

# CORPORATE GOVERNANCE REPORT (continued)

## PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

### HANDLING OF INSIDE INFORMATION

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the GEM Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.
2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.
3. The Group’s finance department shall keep track of the Group’s threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

### DISSEMINATION OF INSIDE INFORMATION

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



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

The 2017 AGM of the Company will be held on Monday, 14 August 2017, the notice of which shall be sent to the Company's shareholders in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

## SHAREHOLDERS' RIGHTS

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

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

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

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

## CORPORATE GOVERNANCE REPORT (continued)

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

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

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

### COMMUNICATION WITH SHAREHOLDERS

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

- (a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.edvancesecurity.com](http://www.edvancesecurity.com));
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.edvancesecurity.com](http://www.edvancesecurity.com));
- (c) corporate information is made available on the Company's website ([www.edvancesecurity.com](http://www.edvancesecurity.com));
- (d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

### CONSTITUTIONAL DOCUMENTS

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance (“ESG”) report outlines the Group’s corporate social responsibility performance covers the Group’s core businesses in Hong Kong for the year ended 31 March 2017 (the “Reporting Period”). It is prepared in accordance with the Environment, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 20 of the GEM Listing Rules.

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

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

## A. ENVIRONMENTAL

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

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

### A1 Emissions

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

#### *Greenhouse gas (“GHG”) emissions*

The GHG emission from the Group is mainly from its purchased electricity consumed in daily office operations. Please refer to the “A2 Use of Resources” below.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## *Waste Management*

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

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

## **A2 Use of Resources**

### *Energy Consumption*

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

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

### *Water Consumption*

Water consumption is relatively low in the Group. Much of our water consumption is for basic cleaning and sanitation. The majority of the water supply facilities are provided on our rental premises, and the usage have been included in the management fees. Nonetheless, we emphasize water saving to our staff through staff education. There was no water sourcing issue with the Group as we mainly consume municipal water.

## **A3 The Environment and Natural Resources**

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

Other than non-hazardous waste and consumption of electricity as mentioned above, the Group has no other significant impacts on the environment and natural resources.

## **B. SOCIAL**

### **Employment and Labour Practices**

#### ***B1 Safeguarding employees' rights and interests***

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

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

#### ***B.1.1 Remuneration and welfares***

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

#### ***B.1.2 Employee engagement***

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## ***B.1.3 Employee life***

We hold a series of recreational activities for employees' spare time. The purpose of these activities is to help employees balance life and work, enable them to address challenges in a positive and optimistic attitude and make them enjoy "happy life and work". During the Reporting Period, we organize various events to enhance work-life balance and teamwork such as annual Christmas party, sports day and happy hour.

## ***B2 Occupational Health and Safety***

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

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

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

## ***B3 Development and Training***

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

## ***B4 Labour Standards***

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

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

## Operating Practices

### **B5** *Supply Chain Management*

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

### **B6** *Product Responsibility*

#### *Products and Services Responsibility*

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

#### *Customer Services*

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

#### *Data Privacy Policy*

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## **B7** *Anti-Corruption*

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

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

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

## **B8** *Community Investment*

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

- co-operated with St James's Settlement for the "Back to School Drive" programme, through donation and participation, to learn about the needs and wishes of underprivileged students and distributed the gifts to students during school visit;
- participated in the "Share The Joy of a Wish", an annual charity sales counter organized by Make A Wish;
- co-operated with Changing Young Life Foundation for the "Easter Egg Craftwork" programme to expand the horizon for underprivileged children and to support the children's social wellbeing; and
- made donations to Sowers Action.

The Group has also been awarded the Caring Company Logo 2016/17, in recognition of our long-term contributions and commitment for the environment, our employees as well as the community.



# DIRECTORS' REPORT

The directors of the Company (the "Directors") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017.

## CORPORATE REORGANIZATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016 under the Companies Law of the Cayman Islands. In preparation of the listing of the Company's shares (the "Shares") on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company underwent the corporate reorganization and became the holding company of the Group on 23 March 2017. Further details of the corporate reorganisation of the Group are set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. The Shares were listed on the GEM of the Stock Exchange on 19 April 2017 ("Listing Date") by initial public offering.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of IT Security Products and Services. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a review of the Group's business, a description of the principal risks and uncertainties facing the Group as well as an indication of likely future development in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out from pages 6 to 11 of this annual report. The discussion forms part of this report of the Directors. There were no significant changes in the nature of the principal activities of the Group from the Listing Date up to the date of this report.

## REVENUE AND SEGMENTAL INFORMATION

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

## FINANCIAL SUMMARY

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017.

## PROPERTY AND EQUIPMENT

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

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements of this annual report.

## SUBSIDIARIES

Details of the activities of its principal subsidiaries as at 31 March 2017 are set out in the note 38 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 the existing Shareholders.

## RESERVE

Details of movements in the reserves of the Company and the Group are set out in note 39 to the consolidated financial statements and the consolidated statement of changes in equity of this annual report respectively.

## DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 7 July 2016.

As at 31 March 2017, there was no reserve available for distribution to the Shareholders.

## REVIEW OF FINANCIAL INFORMATION

The AC comprises three independent non-executive Directors, namely, Mr. Ng Tsz Fung Jimmy (chairman of the AC), Mr. Chan Siu Ming Simon and Mr. Yu Kwok Chun Raymond. The AC has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls system, risk management system and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 March 2017.

# DIRECTORS' REPORT (continued)

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 11.5% and 38.9% (2016: approximately 10.2% and 36.5%) of the Group's total revenue for the year, respectively.

During the year ended 31 March 2017, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 16.1% and 52.9% (2016: approximately 14.6% and 58.4%) 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.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND OTHER STAKEHOLDERS

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

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

## DIRECTORS

The Directors who held office during the year ended 31 March 2017 and up to the date of this annual report were:

### Executive Directors

Mr. Liu Yui Ting Raymond ( <i>Chairman</i> )	(appointed on 7 July 2016)
Mr. Lee Francis Sung Kei ( <i>Chief Executive Officer</i> )	(appointed on 21 November 2016)
Mr. Lo Wai Ho Ashley	(appointed on 7 July 2016)
Mr. Von John	(appointed on 21 November 2016)
Mr. Lam Tak Ling	(appointed on 21 November 2016)

### Non-executive Director

Dr. Tang Sing Hing Kenny	(appointed on 21 November 2016)
--------------------------	---------------------------------

### Independent non-executive Directors

Mr. Yu Kwok Chun Raymond	(appointed on 23 March 2017)
Mr. Ng Tsz Fung Jimmy	(appointed on 23 March 2017)
Mr. Chan Siu Ming Simon	(appointed on 23 March 2017)

## **DIRECTORS' REPORT** (continued)

Pursuant to the Article 112 of the Articles of Association and the GEM Listing Rules, all the Directors were appointed by the Board to fill casual vacancy, shall hold office only until the first general meeting of the Company and shall then be eligible for re-election at such meeting, therefore, all current Directors appointed by the Board will retire at the conclusion of the forthcoming annual general meeting of the Company to be held on Monday, 14 August 2017 and be eligible to offer themselves for re-election at the 2017 AGM.

### **BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of all the Directors and senior management of the Company are set out on pages 12 to 18 of this annual report.

### **INDEPENDENCE CONFIRMATION**

The Company has received, from each of the independent non-executive Directors, a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors continue to be independent.

### **DIRECTORS' SERVICE CONTRACT**

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 Listing Date, 19 April 2017, subject to retirement and re-election in accordance to the Articles of Association and GEM Listing Rules and terminated by either party by giving at least one month's written notice to the other.

The non-executive Director and each of the independent non-executive Directors 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, 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 of Association and GEM Listing Rules and terminated by either party by giving at least three month's written notice to the other.

All of the Directors' service contracts entered between the Company and the Directors has been reviewed and ratified by the nomination committee of the Company. None of the Directors being proposed for re-election at the 2017 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

# DIRECTORS' REPORT (continued)

## EMOLUMENT POLICY

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

## 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 notes 12 and 32 to the consolidated financial statements of this annual report.

## MANAGEMENT CONTRACTS

During the year ended 31 March 2017, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

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

Save as disclosed in the section headed "CONTINUING CONNECTED TRANSACTION – EXEMPTED" in this report from pages 47 to 48 in this annual report and note 32 to the financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Shares were listed on the GEM of the Stock Exchange on 19 April 2017, the Company was not applicable to keep any register under Provisions 7 and 8 of part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") and section 332 of the SFO as at 31 March 2017.

## DIRECTORS' REPORT (continued)

As at the Listing Date, 19 April 2017, 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 Futures Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Positions

<b>Names of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate % of shareholding <sup>(1)</sup></b>
Mr. Liu Yui Ting Raymond <sup>(2)</sup>	Interest of controlled corporation	570,000,000	57.00%
Mr. Lee Francis Sung Kei <sup>(5)</sup>	Interest of controlled corporation	22,500,000	2.25%
Mr. Lo Wai Ho Ashley <sup>(2)</sup>	Interest of controlled corporation	570,000,000	57.00%
Mr. Von John <sup>(4)</sup>	Interest of controlled corporation	60,000,000	6.00%
Mr. Lam Tak Ling <sup>(6)</sup>	Interest of controlled corporation	22,500,000	2.25%
Dr. Tang Sing Hing Kenny <sup>(3)</sup>	Interest of controlled corporation	75,000,000	7.50%

Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the Company in issue (1,000,000,000 Shares) as at the Listing Date, 19 April 2017, and up to the date of this report.
- (2) This represents the Shares held by Success Vision International Group Limited ("Success Vision"), a company was beneficially owned as to 59.21% by Mr. Liu Yui Ting Raymond and 40.79% by Mr. Lo Wai Ho Ashley respectively, therefore, they were deemed to be interested in the 570,000,000 Shares under the SFO.
- (3) This represents the Shares held by Earning Gear Inc. ("Earning Gear"), a company was wholly-owned by Dr. Tang Sing Hing Kenny and therefore he was deemed to be interested in the 75,000,000 Shares under the SFO.
- (4) This represents the Shares held by Mind Bright Limited ("Mind Bright"), a company was wholly-owned by Mr. Von John and therefore he was deemed to be interested in the 60,000,000 Shares under the SFO.
- (5) This represents the Shares held by Pioneer Marvel Limited ("Pioneer Marvel"), a company was wholly-owned by Mr. Lee Francis Sung Kei and therefore, he was deemed to be interested in the 22,500,000 Shares under the SFO.
- (6) This represents the Shares held by Linking Vision Limited ("Linking Vision"), a company was wholly-owned by Mr. Lam Tak Ling and therefore he was deemed to be interested in the 22,500,000 Shares under the SFO.

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

## DIRECTORS' REPORT (continued)

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "SHARE OPTION" in this report, at no time during the year ended 31 March 2017 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 IN SHARES AND UNDERLYING SHARES

As at the Listing Date, 19 April 2017 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

<b>Names of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate % of shareholding <sup>(8)</sup></b>
Success Vision <sup>(1)</sup>	Beneficial owner	570,000,000	57.00%
Ms. Cheng Chui Ying <sup>(1&amp;2)</sup>	Interest of spouse	570,000,000	57.00%
Ms. Lin Fai <sup>(1&amp;3)</sup>	Interest of spouse	570,000,000	57.00%
Earning Gear <sup>(4)</sup>	Beneficial owner	75,000,000	7.50%
Ms. Yip Lai Ching <sup>(4&amp;5)</sup>	Interest of spouse	75,000,000	7.50%
Mind Bright <sup>(6)</sup>	Beneficial owner	60,000,000	6.00%
Ms. Cheung Mo Chi <sup>(6&amp;7)</sup>	Interest of spouse	60,000,000	6.00%

### Notes:

- (1) Success Vision was beneficially owned as to 59.21% by Mr. Liu Yui Ting Raymond, Director, and 40.79% by Mr. Lo Wai Ho Ashley, Director, respectively. Each of Mr. Liu Yui Ting Raymond, Director, and Mr. Lo Wai Ho Ashley, Director, were deemed to be interested in the 570,000,000 Shares that held by Success Vision under the SFO.
- (2) Ms. Cheng Chui Ying is the spouse of Mr. Liu Yui Ting Raymond, Director, and was therefore deemed to be interested in the Shares in which Mr. Liu Yui Ting Raymond, Director, was interested in under the SFO.
- (3) Ms. Lin Fai is the spouse of Mr. Lo Wai Ho Ashley, Director, and was therefore deemed to be interested in the Shares in which Mr. Lo Wai Ho Ashley, Director was interested in under the SFO.
- (4) Earning Gear is wholly-owned by Dr. Tang Sing Hing Kenny, Director, and was therefore deemed to be interested in the 75,000,000 Shares that held by Earning Gear under the SFO.
- (5) Ms. Yip Lai Ching is the spouse of Dr. Tang Sing Hing Kenny, Director, and was therefore deemed to be interested in the Shares in which Dr. Tang Sing Hing Kenny, Director, was interested in under the SFO.
- (6) Mind Bright is wholly-owned by Mr. Von John, Director, and was therefore deemed to be interested in the 60,000,000 Shares that held by Mind Bright under the SFO.
- (7) Ms. Cheung Mo Chi is the spouse of Mr. Von John, director, and was therefore deemed to be interested in the Shares in which Mr. Von John, Director, was interested in under the SFO.
- (8) The percentage has been compiled based on the total number of ordinary shares of the Company in issue (1,000,000,000 shares) as at the Listing Date, 19 April 2017, and the date of this report.

Save as disclosed above, as at the Listing Date and up to the date of this annual report, the Directors were not aware of any other person 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.

### CONTINUING CONNECTED TRANSACTION – EXEMPTED

On 23 March 2017, the Company entered into a master service agreement with Column Asia Limited (the "CAL") pursuant to which CAL will provide and our Company will use, from time to time, (i) the provision of a cloud-based training platform to host our training materials for the IT Security Products to our customers, or where applicable, the setting up of a domain for our individual customers; and (ii) the customisation and conversion of our training materials into different formats as per our requests (the "Services"), for a period commencing from the Listing Date, 19 April 2017 and expiring on 31 March 2019 (the "Master Service Agreement"), subject to the terms and conditions of the Master Service Agreement. The proposed annual caps for the transactions contemplated under the Master Service Agreement shall not exceed HK\$410,000, HK\$492,000 and HK\$590,400 for the three years ending 31 March 2019, respectively.



## DIRECTORS' REPORT (continued)

CAL is owned as to 98% by Mr. Liu Yui Ting Raymond, our Director and one of the controlling Shareholders. Mr. Liu Yui Ting Raymond is also a director of CAL. Accordingly, CAL is deemed as a connected person of the Company under the GEM Listing Rules. The transaction contemplated under the Master Service Agreement constituted continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Given that the applicable percentage ratios for the transactions contemplated under the Master Service Agreement calculated by reference to Rule 19.07 of the GEM Listing Rules, be expected on an annual basis to be less than 5% and the annual consideration be less than HK\$3,000,000, the transactions contemplated under the Master Service Agreement constituted an exempt continuing connected transaction of our Company under Rule 20.74 of the GEM Listing Rules, and be exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Directors (including our independent non-executive Directors) was of the view and, Titan Financial Services Limited ("Titan Financial"), the sole sponsor of the Company, concluded with the view that the Master Service Agreement has been entered into on arms' length basis and on normal commercial terms and in the ordinary and usual course of business, and that the transactions contemplated under the Master Service Agreement and the proposed annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole since the overall terms for the provision of the Services (including pricing and payment terms) are comparable to those offered by the outsider.

Save as disclosed herein, there were no transactions which need to be disclosed as connected transactions or continuing connected transactions in accordance with the requirements of the GEM Listing Rules.

### PERMITTED INDEMNITY PROVISION

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

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

### COMPETING INTEREST

As at the Listing Date and up to the date of this report, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

## DEED OF NON-COMPETITION

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

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

## SHARE OPTION

Share option scheme of the Company was approved by a resolution of our Shareholders passed on 23 March 2017 (the "Share Option Scheme"). The principal terms of the Share Option Scheme is summarized in Appendix IV to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2017 and up to the date of this annual report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 March 2017 and as the date of this annual report.

The following is a summary of the principal terms of the Share Option Scheme disclosed pursuant to rules 23.09 of the Chapter 23 under GEM Listing Rules:

### Purposes

The purpose of the Share Option Scheme is to provide incentives and to recognise and acknowledge the contributions which the Eligible Participants (defined below) have made or may make to our Group. The Share Option Scheme will provide the Eligible Participants with the opportunity to own a personal stake in the Company with a view to motivating the Eligible Participants and/or attracting and retaining or otherwise maintaining on-going relationship with the Eligible Participants whose contributions are, will be or are likely to be beneficial to the long terms growth of our Group.

# DIRECTORS' REPORT (continued)

## Eligible Participants

The Eligible Participants of the Share Option Scheme, include (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which the Group or any subsidiary holds any interest; (ii) any discretionary trust the discretionary objects of which include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), 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; and (iii) corporation wholly-owned by any person mentioned in clause (i) above.

## Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

100,000,000 Shares, being approximately 10% of the issued share capital of the Company as at the date of this annual report.

## Maximum entitlement of each participant under the scheme

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one eligible participant (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued Shares unless approved in advance by the shareholders of the Company in general meeting with such eligible person and his close associates or his associates abstaining from voting.

## Period within which the securities must be taken up under an option

The offer of a grant of options under the Share Option Scheme may be accepted within 21 days from the date of the offer.

## Minimum period, if any, for which an option must be held before it can be exercised

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance to the Share Option Scheme.

## Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The offer of a grant of options under the Share Option Scheme may be accepted within 21 days from the date of the offer together with payment of HK\$1.00 as consideration for the acceptance of an option.

## Basis of determining the exercise price

The exercise price is determined by the Directors and shall be at least the highest of: (i) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days (as defined in the Listing Rules) immediately preceding the offer date; and (iii) the nominal value of a Share.

## Remaining life of the Share Option Scheme

The Scheme will be valid and effective for a period of ten years from 23 March 2017.

## EQUITY-LINKED AGREEMENTS

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

## USE OF PROCEEDS FROM THE LISTING

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

Items	Net proceeds from the Listing HK\$ Million	Actual use of net proceeds up to the date of this report HK\$ Million
• Expansion and renovation of Hong Kong headquarters	3.2	–
• Establishment of the detection and response centre	2.4	–
• Upgrading the management systems	3.7	0.3
• Upgrading the network infrastructure	1.2	–
• Expansion of operation in Singapore as the Services Hub together with is renovation	22.5	–
• Investment in demonstration equipment	3.0	–
• Increasing the marketing efforts	1.2	–
• Expanding the workforce	16.7	0.1
• General working capital	2.1	0.2
Total	56.0	0.6

# DIRECTORS' REPORT (continued)

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by Titan Financial, the Company's compliance adviser, save for the compliance agreement entered into between the Company and Titan Financial dated 15 December 2016 in connection with the Listing, none of Titan or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 March 2017, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2017 and up to the date of this report, save for those related to the reorganization, details of which may refer to the Prospectus.

## SUFFICIENCY OF PUBLIC FLOAT

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

## CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 19 to 33 of this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

## 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.

From the Listing Date 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 requirements under the GEM Listing Rules, SFO and the Cayman Companies' Law. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the GEM Listing Rules are provided in the Corporate Governance Report of this Annual Report.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2017 AGM will be held on Monday, 14 August 2017 at 9:30 a.m..

The register of members of the Company will be closed from Wednesday, 9 August 2017 to Monday, 14 August 2017, both dates inclusive, during which period no transfer of Shares will be registered, for ascertaining Shareholder's entitlement to attend the 2017 AGM to be held on Monday, 14 August 2017. In order to qualify for attending the 2017 AGM, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 8 August 2017.

## 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.

## BOARD COMMITTEES

The Board has established three committees, namely, the AC, the RC and the NC of the Company (collectively the "Committees"), for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.edvancesecurity.com](http://www.edvancesecurity.com). All the Board Committees should report to the Board on their decisions or recommendations made. All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

## **DIRECTORS' REPORT** (continued)

### **EVENT AFTER THE REPORTING PERIOD**

On 19 April 2017, shares of the Company were successfully listed on the GEM of the Stock Exchange with stock code 8410. Save as disclosed, there is no significant event after the reporting period of the Group.

### **AUDITORS**

The consolidated financial statements for the year ended 31 March 2017 have been prepared by Deloitte Touche Tohmatsu ("Deloitte"), the auditors of the Company, who will retire at the conclusion of the 2017 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 2017 AGM.

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

Hong Kong, 23 June 2017

# 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 60 to 121, which comprise the consolidated statement of financial position as at 31 March 2017, 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 2017, 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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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



Making another century of impact  
德勤百年慶 開創新紀元



# INDEPENDENT AUDITOR'S REPORT (continued)

## KEY AUDIT MATTERS (continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Valuation of Inventories*

We identified valuation of inventories as a key audit matter due to the use of judgment and estimates by management in identifying obsolete and slow-moving inventories and estimating the allowance for inventories.

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

As set out in note 18 to the consolidated financial statements, the Group had inventories of HK\$5,246,000 as at 31 March 2017. No allowance for inventories was recognised during the year.

Our procedures in relation to the valuation of inventories included:

- Obtaining an understanding of how allowance for inventories is estimated by the management;
- Obtaining an understanding of the key controls of the Group in relation to identification of slow-moving and obsolete inventories and preparation of ageing analysis of inventories;
- Testing the ageing analysis of the inventories, on a sample basis, to the source documents;
- Assessing the reasonableness of the net realisable value of inventories estimated by the management for those slow-moving and obsolete inventories with reference to the recent selling prices, movements, physical conditions, ageing analysis and subsequent sales of inventories; and
- Testing the subsequent sales, on a sample basis, to source documents.

# INDEPENDENT AUDITOR'S REPORT (continued)

## ***Valuation of Trade Receivables***

We identified the valuation of trade receivables as a key audit matter due to the use of judgement and estimates by the management on the evaluation of the recoverability of trade receivables.

In determining the allowance for bad and doubtful debts, the management considers current creditworthiness, the past collection history of each customer, ageing analysis and subsequent settlement of individual balances.

As set out in note 16 to the consolidated financial statements, the carrying amount of trade receivables is HK\$60,971,000 (net of allowance for bad and doubtful debts of HK\$131,000) as at 31 March 2017.

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

- Obtaining an understanding of how allowance for bad and doubtful debts is estimated by the management;
- Obtaining an understanding of the key controls over monitoring of recoverability of trade receivables;
- Testing the ageing analysis of the Group's trade receivables, on a sample basis, to source documents;
- Assessing the reasonableness of allowance for bad and doubtful debts with reference to current creditworthiness, the past collection history of each customer, ageing analysis and subsequent settlement of individual balances; and
- Testing subsequent settlements, on a sample basis, to source documents.

## **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.

# INDEPENDENT AUDITOR'S REPORT (continued)

## 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 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.

As part of an audit in accordance with HKSA's, we exercise professional judgment 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.

# INDEPENDENT AUDITOR'S REPORT (continued)

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

- 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.

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

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

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

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 June 2017

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	6	<b>222,060</b>	176,999
Cost of sales		<b>(160,532)</b>	(123,806)
Gross profit		<b>61,528</b>	53,193
Other income	7	<b>627</b>	678
Other gains and losses, net	8	<b>58</b>	(881)
Distribution and selling expenses		<b>(17,489)</b>	(18,187)
Administrative expenses		<b>(26,108)</b>	(16,165)
Listing expenses		<b>(16,791)</b>	–
Finance costs	9	<b>(1,240)</b>	(678)
Profit before taxation		<b>585</b>	17,960
Taxation	10	<b>(2,875)</b>	(3,268)
(Loss) profit for the year	11	<b>(2,290)</b>	14,692
Other comprehensive expense for the year:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(583)</b>	(50)
Total comprehensive (expense) income for the year		<b>(2,873)</b>	14,642
(Loss) profit for the year attributable to:			
– owners of the Company		<b>(5,414)</b>	11,990
– non-controlling interests		<b>3,124</b>	2,702
		<b>(2,290)</b>	14,692
Total comprehensive (expense) income for the year attributable to:			
– owners of the Company		<b>(5,872)</b>	11,948
– non-controlling interests		<b>2,999</b>	2,694
		<b>(2,873)</b>	14,642
(Loss) earnings per share (HK cents)	14	<b>(0.9)</b>	1.9

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Property and equipment	15	8,960	1,496
Prepayment and deposits	16	27,155	20,519
Deferred tax assets	17	294	294
		<b>36,409</b>	22,309
<b>Current assets</b>			
Inventories	18	5,246	11,056
Trade and other receivables, prepayment and deposits	16	92,092	60,355
Tax recoverable		2,364	–
Bank balances and cash	19	18,499	12,494
		<b>118,201</b>	83,905
<b>Current liabilities</b>			
Trade and other payables and accruals	20	93,851	65,469
Amount due to a related party	21	–	200
Amounts due to directors	22	–	3,480
Bank borrowings	23	27,022	8,121
Obligations under finance leases	24	146	339
Provisions	25	1,826	1,826
Derivative financial instruments	27	38	–
Tax liabilities		–	869
		<b>122,883</b>	80,304
Net current (liabilities) assets		<b>(4,682)</b>	3,601
Total assets less current liabilities		<b>31,727</b>	25,910

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Non-current liabilities			
Derivative financial instruments	27	–	303
Obligations under finance leases	24	–	146
Deferred revenue	20	<b>22,532</b>	13,393
		<b>22,532</b>	13,842
Net assets		<b>9,195</b>	12,068
Capital and reserves			
Share capital	26	–	1
Reserves		<b>9,195</b>	10,136
Equity attributable to owners of the Company		<b>9,195</b>	10,137
Non-controlling interests		–	1,931
Total equity		<b>9,195</b>	12,068

The consolidated financial statements on pages 60 to 121 were approved and authorised for issue by the board of directors on 23 June 2017 and are signed on its behalf by:

**LIU Yui Ting Raymond**  
DIRECTOR

**LO Wai Ho Ashley**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK\$'000	Attributable to owners of the Company			Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
		Other reserves HK\$'000 (note)	Translation reserve HK\$'000	Accumulated profits HK\$'000			
At 1 April 2015	1	(220)	316	1,690	1,787	(1,028)	759
Profit for the year	–	–	–	11,990	11,990	2,702	14,692
Other comprehensive expense for the year	–	–	(42)	–	(42)	(8)	(50)
Total comprehensive (expense) income for the year	–	–	(42)	11,990	11,948	2,694	14,642
Acquisition from non-controlling shareholders of subsidiaries (note 33)	–	(1,078)	–	–	(1,078)	745	(333)
Dividends paid (note 13)	–	–	–	(2,520)	(2,520)	(480)	(3,000)
At 31 March 2016	1	(1,298)	274	11,160	10,137	1,931	12,068
(Loss) profit for the year	–	–	–	(5,414)	(5,414)	3,124	(2,290)
Other comprehensive expense for the year	–	–	(458)	–	(458)	(125)	(583)
Total comprehensive (expense) income for the year	–	–	(458)	(5,414)	(5,872)	2,999	(2,873)
Partial disposal of subsidiaries without losing control (note 33)	–	(1,349)	–	–	(1,349)	1,349	–
Transfer upon the completion of group reorganisation on 23 March 2017 (note 2(v))	(1)	6,280	–	–	6,279	(6,279)	–
At 31 March 2017	–	3,633	(184)	5,746	9,195	–	9,195

Note: Other reserves as at 31 March 2017 represent the aggregate amount of (i) the difference of HK\$220,000 between the share capital of Edvance Technology (Hong Kong) Limited (“Edvance Technology (HK)”) and that of Best Gear Group Limited (“Best Gear”) issued pursuant to a reorganisation prior to 1 April 2015; (ii) the acquisition of shares from non-controlling shareholders of subsidiaries during the year ended 31 March 2016, of which details are disclosed in note 2(i), resulting a deficit of HK\$1,078,000 charging to other reserves; (iii) disposal of 8% equity interest in Best Gear by Mr. Ashley Lo (as defined in note 2) to non-controlling shareholders of the Company as disclosed in note 2(iii) during the year ended 31 March 2017, resulting a deficit of HK\$1,349,000 charging to other reserves; and (iv) upon completion of reorganisation as disclosed in note 2(v) during the year ended 31 March 2017, resulting a transfer of HK\$6,279,000, representing aggregate amount of share capital and non-controlling interests of Best Gear, to other reserves.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	<b>585</b>	17,960
Adjustments for:		
Finance costs	<b>1,240</b>	678
Allowance for bad and doubtful debts	<b>252</b>	348
Fair value changes of derivative financial instruments	<b>(265)</b>	303
Interest income	<b>(484)</b>	(450)
Depreciation	<b>1,267</b>	1,170
Loss on disposal of property and equipment	<b>344</b>	–
Operating cash flows before movements in working capital	<b>2,939</b>	20,009
Decrease (increase) in inventories	<b>5,810</b>	(5,805)
Increase in trade and other receivables, prepayment and deposits	<b>(38,152)</b>	(24,017)
Increase in trade and other payables and accruals	<b>34,353</b>	21,674
(Decrease) increase in amounts due to related parties	<b>(200)</b>	100
Increase in provisions	<b>–</b>	1,826
Cash generated from operations	<b>4,750</b>	13,787
Income tax paid	<b>(6,108)</b>	(1,207)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(1,358)</b>	12,580
<b>INVESTING ACTIVITIES</b>		
Bank interest received	<b>11</b>	10
Purchase of property and equipment	<b>(5,908)</b>	(145)
Payment for life insurance contracts	<b>–</b>	(9,367)
Repayment from a director	<b>–</b>	468
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,897)</b>	(9,034)

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

*For the year ended 31 March 2017*

	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES		
Interest paid	<b>(1,240)</b>	(678)
Bank borrowings raised	<b>65,055</b>	40,717
Repayment of bank borrowings	<b>(46,154)</b>	(35,613)
Repayment to directors	<b>(3,480)</b>	(2,500)
Advance from a related party	<b>6,000</b>	–
Repayment to a related party	<b>(6,000)</b>	–
Repayment of obligations under finance leases	<b>(339)</b>	(488)
Payment for acquisition from non-controlling interest of subsidiaries	–	(333)
Dividend paid	–	(3,000)
Advance from directors	–	4,030
NET CASH FROM FINANCING ACTIVITIES	<b>13,842</b>	2,135
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>6,587</b>	5,681
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<b>12,494</b>	6,862
Effect of exchange rate changes	<b>(582)</b>	(49)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<b>18,499</b>	12,494

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 1. GENERAL

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

The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report. The principal activities of the Company and its subsidiaries (the "Group") are described in note 38.

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

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Before the reorganisation ("Reorganisation"), Best Gear, the then holding company of the companies now comprising the Group, are owned by Mr. Liu Yui Ting Raymond ("Mr. Raymond Liu") as to 45%, Mr. Lo Wai Ho Ashley ("Mr. Ashley Lo") as to 39%, Mr. Von John as to 10%, Mr. Lam Tak Ling ("Mr. TL Lam") as to 3% and Mr. Lee Sung Kei Francis ("Mr. Francis Lee") as to 3%. Historically and prior to the completion of the Reorganisation, all the companies comprising the Group were jointly controlled by Mr. Raymond Liu and Mr. Ashley Lo (collectively referred to as the "Controlling Shareholders"). Mr. Raymond Liu and Mr. Ashley Lo are founders of the Group and they are acting in concert on their ownerships and exercise their control collectively over the companies now comprising the Group in respect of all the relevant business activities of these companies. Mr. Von John, Mr. TL Lam and Mr. Francis Lee are considered as non-controlling shareholders of the Company's subsidiaries.

In preparation of the listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 31 March 2016, Edvance Holdings Limited ("Edvance Holdings") acquired 30% equity interest of Edvance Consulting (Hong Kong) Limited ("Edvance Consulting (HK)") from a non-controlling shareholder of Edvance Consulting (HK) at a cash consideration of HK\$30,000 and Edvance Holdings acquired 49% equity interest of Edvance Technology (Singapore) Pte. Ltd. ("Edvance Technology (Singapore)") from Mr. Raymond Liu at a cash consideration of Singapore Dollar ("SG\$") 49,000 (equivalent to HK\$303,000). Upon these acquisitions, Edvance Consulting (HK) and Edvance Technology (Singapore) became wholly-owned subsidiaries of Edvance Holdings.
- (ii) Success Vision was incorporated on 3 May 2016 in the BVI with limited liability and not forming part of the Group. At the date of incorporation, Mr. Raymond Liu and Mr. Ashley Lo subscribed 59.21% and 40.79% equity interest of shares in Success Vision.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (iii) On 24 June 2016, Mr. Ashley Lo and Mr. Von John, and Earning Gear Inc., (“Earning Gear”), an independent third party incorporated in the BVI and not forming part of the Group, entered into a sale and purchase agreement for the disposal of 8% equity interest in Best Gear by Mr. Ashley Lo and 2% equity interest in Best Gear by Mr. Von John to Earning Gear at a cash consideration of HK\$7,200,000 and HK\$1,800,000, respectively. Earning Gear is also a non-controlling shareholder of the Company’s subsidiaries.
- (iv) The Company was incorporated on 7 July 2016 in the Cayman Islands as an exempted company with limited liability. At the date of incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On the same date, the initial subscribing shareholder, an independent third party, subscribed for one share at par and the initial subscribing shareholder transferred the one issued share of the Company to Success Vision for cash consideration at par.
- (v) On 23 March 2017, Mr. Raymond Liu, Mr. Ashley Lo, Earning Gear, Mr. Von John, Mr. TL Lam and Mr. Francis Lee transferred their entire equity interests in Best Gear to the Company for the consideration of and in exchange for which the Company allotted and issued 75 shares of the Company to Success Vision (under instructions by Mr. Raymond Liu and Mr. Ashley Lo), 10 shares of the Company to Earning Gear, 8 shares of the Company to Mind Bright Limited (“Mind Bright”) which is wholly owned by Mr. Von John and not forming part of the Group, 3 shares of the Company to Linking Vision Limited (“Linking Vision”) which is wholly owned by Mr. TL Lam and not forming part of the Group and 3 shares of the Company to Pioneer Marvel Limited (“Pioneer Marvel”) which is wholly owned by Mr. Francis Lee and not forming part of the Group. Upon the completion of these transfers, Best Gear became the wholly-owned subsidiary of the Company.

Upon the completion of above steps, Success Vision, Linking Vision, Pioneer Marvel, Mind Bright and Earning Gear held equity of the Company as to 76%, 3%, 3%, 8%, and 10%, respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 23 March 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, as the Company and its subsidiaries have been under common control of the Controlling Shareholders throughout both years or since their respective dates of incorporation, where there is a shorter period. Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Consolidations” issued by HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the both years include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence for both years, or since their respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

As at 31 March 2017, the Group had net current liabilities of HK\$4,682,000. In preparing these consolidated financial statements, the directors of the Company have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. On 19 April 2017, the Group received proceeds after deducting underwriting commission of HK\$77,600,000 upon the listing of the Company’s shares on the Stock Exchange (details disclosed in note 37). The directors of the Company are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared these consolidated financial statements on a going concern basis.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 March 2017, the Group has adopted all the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2016.

### New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Apply HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts” <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 7	Disclosure initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>4</sup>
Amendments to HKAS 40	Transfers of investment property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle <sup>5</sup>
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration <sup>1</sup>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### New and revised HKFRSs in issue but not yet effective (continued)

- 1 Effective for annual periods beginning on or after 1 January 2018.
- 2 Effective for annual periods beginning on or after 1 January 2019.
- 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 2017.
- 5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

### HKFRS 9 “Financial instruments”

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group’s financial assets as at 31 March 2017 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group’s financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group’s existing business model.

### HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### HKFRS 15 “Revenue from contracts with customers” (continued)

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the consolidated financial statements based on the existing business model of the Group as at 31 March 2017. The application of HKFRS 15 in the future may result in more disclosures in the future financial statements.

### HKFRS 16 “Leases”

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### HKFRS 16 “Leases” (continued)

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group, as lessee, has non-cancellable operating lease commitment of HK\$11,701,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result.

### Amendments to HKAS 7 “Disclosure initiative”

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 April 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except for above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group’s consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for goods or 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 leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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 interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the proportionate share of net assets attributable to the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and accumulated in "other reserves" attributable to the owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing carrying amounts from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

### Revenue recognition

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

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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

### Property and equipment

Property and equipment held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

### Leasing

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

### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

### Retirement benefit costs

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

### Short-term and other long-term employee benefits

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

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

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

### Foreign currencies

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

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

### Taxation

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

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

### Provisions

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

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

### Impairment on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### ***Financial assets***

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

### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument.

### ***Loans and receivables***

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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

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

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

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

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Equity instruments*

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

#### *Financial liabilities*

Financial liabilities other than derivative financial instruments (including trade and other payables and accruals, bank borrowings, amounts due to a related party and directors) are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

### Derecognition

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

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

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 2017

## 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.

### Allowance for inventories

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

No allowance for inventories are charged for the both years. The carrying amounts of inventories are HK\$5,246,000 (2016: HK\$11,056,000) as at 31 March 2017.

### Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management of the Group. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer, ageing analysis and subsequent settlement of individual balances. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowance for bad and doubtful debts of HK\$252,000 (2016: HK\$348,000) were charged for the year ended 31 March 2017. As at 31 March 2017, the carrying amounts of trade receivables are HK\$60,971,000 (2016: HK\$37,525,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 6. REVENUE AND SEGMENT INFORMATION

### Revenue

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 6. REVENUE AND SEGMENT INFORMATION (continued)

### Segment revenue and results

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
<b>For the year ended 31 March 2017</b>			
Segment revenue	127,216	94,844	222,060
Segment results	27,710	33,818	61,528
Other income			627
Other gains and losses, net			58
Distribution and selling expenses			(17,489)
Administrative expenses			(26,108)
Listing expenses			(16,791)
Finance costs			(1,240)
Profit before taxation			585

	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
<b>For the year ended 31 March 2016</b>			
Segment revenue	106,901	70,098	176,999
Segment results	26,238	26,955	53,193
Other income			678
Other losses			(881)
Distribution and selling expenses			(18,187)
Administrative expenses			(16,165)
Finance costs			(678)
Profit before taxation			17,960

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 6. REVENUE AND SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, listing expenses, finance costs and taxation.

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

### Geographical information

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

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Hong Kong	<b>186,480</b>	124,338
Macau (note)	<b>6,515</b>	16,217
Mongolian People's Republic (note)	<b>2,316</b>	4,763
The PRC (excluding Hong Kong and Macau)	<b>17,934</b>	23,794
Republic of Singapore ("Singapore")	<b>8,815</b>	7,887
	<b>222,060</b>	176,999

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

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

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Hong Kong	<b>22,963</b>	9,742
The PRC (excluding Hong Kong)	<b>10</b>	287
Macau	<b>315</b>	–
Singapore	<b>522</b>	142
	<b>23,810</b>	10,171

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 6. REVENUE AND 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:

	2017 HK\$'000	2016 HK\$'000
Customer A <sup>1</sup>	–	18,134
Customer B <sup>1</sup>	25,620	–

Note: Customers A did not contribute over 10% of the Group's total revenue for the year ended 31 March 2017.

Customer B did not contribute over 10% of the Group's total revenue for the year ended 31 March 2016.

<sup>1</sup> Revenue derived from IT security products business and IT security services business.

## 7. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Bank interest income	11	10
Interest income from deposits for life insurance contracts	473	440
Others	143	228
	627	678

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 8. OTHER GAINS AND LOSSES, NET

	2017 HK\$'000	2016 HK\$'000
Allowance for bad and doubtful debts	(252)	(348)
Fair value changes of derivative financial instruments	265	(303)
Net foreign exchange gains (losses)	389	(230)
Loss on disposal of property and equipment	(344)	–
	<b>58</b>	(881)

## 9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings	1,112	630
Interest on obligations under finance leases	13	48
Interest on loan from a related party (Note)	115	–
	<b>1,240</b>	678

Note: During the year ended 31 March 2017, loan from Success Vision of HK\$6,000,000 with interest rate 5% per annum was raised and repaid.

## 10. TAXATION

	2017 HK\$'000	2016 HK\$'000
Current tax:		
Hong Kong Profits Tax	2,875	3,241
PRC Enterprise Income Tax ("EIT")	–	121
Withholding tax arising from dividends received from a subsidiary in the PRC	–	200
Deferred tax credit (note 17)	–	(294)
	<b>2,875</b>	3,268



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 10. TAXATION (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

PRC EIT is calculated at 25% of the assessable profits for the year ended 31 March 2016. No PRC EIT was made in the year ended 31 March 2017 as the subsidiary in the PRC incurred a tax loss.

Withholding tax is imposed for dividends distributed from the earnings generated from 1 January 2008 onwards by the subsidiary in the PRC based on 10% of that dividends received or receivable by the parent company incorporated in Hong Kong.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year. No provision of Macau Complementary Tax was made as the subsidiary in Macau has not started operation in the year ended 31 March 2016 and incurred a tax loss in the year ended 31 March 2017.

The Singapore Income Tax is determined by applying the Singapore tax rate of 17%. No provision of the Singapore Income Tax was made as the subsidiary in Singapore has incurred tax losses for the year ended 31 March 2017 or the assessable profits were absorbed by the tax losses brought forward for the year ended 31 March 2016.

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

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	585	17,960
Taxation at Hong Kong Profits Tax rate of 16.5%	97	2,963
Tax effect of income not taxable for tax purposes	(168)	(25)
Tax effect of expenses not deductible for tax purposes	2,869	342
Utilisation of tax losses previously not recognised	–	(394)
Effect of different tax rates of subsidiaries operating in other jurisdiction	–	41
Tax effect of tax losses not recognised	77	141
Withholding tax recognised	–	200
Taxation for the year	2,875	3,268

At 31 March 2017, the Group had estimated unused tax losses of approximately HK\$6,763,000 (2016: HK\$6,297,000) to offset against future profits. A deferred tax asset has been recognised in respect of estimated tax losses of HK\$1,782,000 (2016: HK\$1,782,000) as at 31 March 2017. No deferred tax asset has been recognised for the remaining estimated tax losses due to the unpredictability of future profit streams. Except for the estimated tax losses of HK\$633,000 as at 31 March 2017 that will expire by 31 December 2021, other losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 11. (LOSS) PROFIT FOR THE YEAR

	2017 HK\$'000	2016 HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration (Note 12)	7,699	5,164
Other staff costs	30,762	26,299
Contributions to retirement benefit schemes	1,261	1,055
	<b>39,722</b>	32,518
Auditor's remuneration	1,000	646
Cost of inventories recognised as an expense	99,506	79,740
Depreciation of property and equipment	1,267	1,170
Minimum lease payments in respect of office premises	5,003	2,353

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' and chief executive's emoluments

	Directors' fee HK\$'000	Salaries, allowance and other benefits HK\$'000	Performance related bonus HK\$'000 (note i)	Retirement benefit schemes contributions HK\$'000	Total HK\$'000
For the year ended 31 March 2017					
<b>Executive directors</b>					
Mr. Raymond Liu (note ii)	–	1,560	508	78	2,146
Mr. Ashley Lo (note ii)	–	924	–	66	990
Mr. Francis Lee (note ii)	–	1,020	482	69	1,571
Mr. TL Lam (note ii)	–	1,043	586	47	1,676
Mr. Von John (note ii)	–	990	224	15	1,229
<b>Non-executive director</b>					
Dr. Tang Sing Hing Kenny (note iii)	–	87	–	–	87
<b>Independent non-executive directors ("INED"s)</b>					
Mr. Yu Kwok Chun Raymond (note iv)	–	–	–	–	–
Mr. Ng Tsz Fung Jimmy (note iv)	–	–	–	–	–
Mr. Chan Siu Ming Simon (note iv)	–	–	–	–	–
	–	5,624	1,800	275	7,699

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### Directors' and chief executive's emoluments (continued)

	Directors' fee HK\$'000	Salaries, allowance and other benefits HK\$'000	Performance related bonus HK\$'000 (note i)	Retirement benefit schemes contributions HK\$'000	Total HK\$'000
For the year ended 31 March 2016					
<b>Executive Directors</b>					
Mr. Raymond Liu (note i)	–	840	339	102	1,281
Mr. Ashley Lo (note i)	–	924	–	64	988
Mr. Francis Lee (note ii)	–	696	373	61	1,130
Mr. TL Lam (note ii)	–	630	545	25	1,200
Mr. Von John (note ii)	–	565	–	–	565
	–	3,655	1,257	252	5,164

Notes:

- (i) Performance related bonus was determined by reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.
- (ii) Mr. Raymond Liu and Mr. Ashley Lo were appointed as the executive directors of the Company on 7 July 2016 and Mr. Francis Lee, Mr. TL Lam and Mr. Von John were appointed as executive directors of the Company on 21 November 2016. The emoluments paid or payable to the directors of Company included emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company.
- (iii) Dr. Tang Sing Hing Kenny was appointed as non-executive director on 21 November 2016.
- (iv) Mr. Yu Kwok Chun Raymond, Mr. Ng Tsz Fung Jimmy and Mr. Chan Siu Ming Simon were appointed as independent non-executive directors on 23 March 2017.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### Employees' emoluments

The five highest paid individuals of the Group include four (2016: four) directors of the Company for the year ended 31 March 2017, whose emoluments are included in the disclosures above. The emoluments of the remaining one (2016: one) individuals for the year ended 31 March 2017, are as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Salaries and other benefits	<b>865</b>	684
Performance related bonuses	<b>206</b>	408
Contributions to retirement benefit schemes	<b>110</b>	52
	<b>1,181</b>	1,144

The number of highest paid employees of the Company whose remuneration fell within the following bands is as follows:

	<b>2017</b> <b>No. of</b> <b>employees</b>	2016 No. of employees
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	4
HK\$1,500,001 to HK\$2,000,000	<b>2</b>	–
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	–
	<b>5</b>	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 13. DIVIDEND

During each of the year ended 31 March 2016, Best Gear declared and paid aggregated dividends of HK\$3,000,000 (HK\$300 per share) to its then shareholders.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation or by other group entities for both years.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2017.

## 14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
(Loss) earnings for the purpose of basic (loss) earnings per share (loss) profit for the year attributable to owners of the Company	<b>(5,414)</b>	11,990

	<b>2017</b> <b>Number of shares '000</b>	2016 Number of shares '000
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<b>588,247</b>	630,000

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in note 37 has been effective on 1 April 2015.

No diluted (loss) earnings per share information has been presented for the year ended 31 March 2017 and 2016 as there were no potential ordinary shares outstanding during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 15. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and office and computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 April 2015	1,462	893	1,861	4,216
Additions	–	87	484	571
Exchange realignment	–	(6)	–	(6)
At 31 March 2016	1,462	974	2,345	4,781
Additions	6,856	2,220	–	9,076
Disposals	(1,449)	(544)	–	(1,993)
Exchange realignment	–	(8)	–	(8)
At 31 March 2017	6,869	2,642	2,345	11,856
<b>ACCUMULATED DEPRECIATION</b>				
At 1 April 2015	586	615	919	2,120
Provided for the year	292	175	703	1,170
Exchange realignment	–	(5)	–	(5)
At 31 March 2016	878	785	1,622	3,285
Provided for the year	625	179	463	1,267
Eliminated on disposals	(1,115)	(534)	–	(1,649)
Exchange realignment	–	(7)	–	(7)
At 31 March 2017	388	423	2,085	2,896
<b>CARRYING VALUES</b>				
At 31 March 2017	6,481	2,219	260	8,960
At 31 March 2016	584	189	723	1,496

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 15. PROPERTY AND EQUIPMENT (continued)

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

Leasehold improvements	Over the lease terms
Furniture, fixtures and office and computer equipment	20%-33 $\frac{1}{3}$ %
Motor vehicles	33 $\frac{1}{3}$ %

The carrying value of motor vehicles held under finance lease was HK\$260,000 (2016: HK\$603,000) as at 31 March 2017.

## 16. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	2017 HK\$'000	2016 HK\$'000
<b>Current</b>		
Trade receivables	60,971	37,525
Prepayment to suppliers for maintenance and support services (note (ii))	25,152	22,233
Deferred listing expenses	5,000	–
Prepayment and others	969	597
	<b>92,092</b>	60,355
<b>Non-current</b>		
Rental deposits	1,348	543
Deposits for life insurance contracts (note (i))	12,185	11,862
Prepayment of life insurance charged (note (i))	578	620
Prepayment to suppliers for maintenance and support services (note (ii))	13,044	7,494
	<b>27,155</b>	20,519
<b>Total trade and other receivables, prepayment and deposits</b>	<b>119,247</b>	80,874
Analysed as:		
Current	92,092	60,355
Non-current	27,155	20,519
	<b>119,247</b>	80,874

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

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

Notes:

- (i) In previous years, the Group entered into several life insurance contracts with a bank to insure certain directors of the subsidiaries of the Company. Under these policies, the beneficiary and policy holder is Edvance Technology (HK) and the total insured sum is approximately US\$1,500,000 (equivalent to approximately HK\$11,625,000). Edvance Technology (HK) paid a gross payment of approximately US\$329,000 (equivalent to approximately HK\$2,553,000), including a premium charge at inception of the policies amounting to approximately US\$18,000 (equivalent to approximately HK\$153,000). During the year ended 31 March 2016, Edvance Technology (HK) entered into other life insurance contracts with a bank to insure certain staff, that the beneficiary and policy holder is Edvance Technology (HK), with total insured sum of approximately US\$4,500,000 (equivalent to approximately HK\$34,875,000) and paid gross payments of approximately US\$1,209,000 (equivalent to approximately HK\$9,367,000), including premium charges at inception of the policies amounting to approximately US\$72,000 (equivalent to approximately HK\$562,000). Edvance Technology (HK) may request a partial surrender or full surrender of all these insurance contracts at any time and receive cash back based on the account value of these policies ("Account Value") at the date of withdrawal, which is determined by the gross payments paid plus accumulated interest earned and minus any previously paid partial surrender and other relevant deductions. In addition, if withdrawal is made between the 1st to 15th or 18th policy year, depending on respective contracts, there is a specified surrender charge deducted from Account Value. The insurance company will pay Edvance Technology (HK) a guaranteed interest rate of 4.7% per annum for the first year of the contracts and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policies.

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

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to recurring customers are reviewed on a regular basis. Approximately 73.6% (2016: 74.5%) of trade receivables as at 31 March 2017, are neither past due nor impaired. These customers have no default of payments in the past and have good credit quality. 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 2017

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

The following is an ageing analysis of trade receivables from third parties net of allowance for bad and doubtful debts presented based on the invoice date at the end of each reporting period:

	2017 HK\$'000	2016 HK\$'000
0 to 30 days	37,997	24,036
31 to 60 days	17,345	6,719
61 to 90 days	3,003	2,156
91 to 120 days	1,585	864
121 to 365 days	1,041	3,750
	<b>60,971</b>	37,525

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

The Group has recognised an allowance of bad and doubtful debts of HK\$252,000 (2016: HK\$348,000) during the year ended 31 March 2017, as the directors of the Company consider that credit quality of these debtors are in doubt. The loss has been included in "other gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are written off when considered as uncollectable.

### Movement in the allowance for bad and doubtful debts

	2017 HK\$'000	2016 HK\$'000
At the beginning of the reporting period	–	–
Allowance recognised on receivables	252	348
Amounts written off as uncollectible	(121)	(348)
At the end of the reporting period	<b>131</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

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

As at 31 March 2017, aggregate carrying amounts of HK\$16,090,000 (2016: HK\$9,569,000), for which the Group has not provided for allowance for bad and doubtful debts as there were settlements subsequent to the end of the reporting period or there were continuous settlements by the respective customers and the amounts are still considered recoverable. The Group does not charge any interest on, or hold any collateral over, these balances. The average overdue age of these receivables is 40.1 days (2016: 112.7 days) as at 31 March 2017.

### Ageing of trade receivables from third parties past due but not impaired

	2017 HK\$'000	2016 HK\$'000
Overdue 0 to 30 days	11,618	3,600
Overdue 31 to 60 days	3,029	1,194
Overdue 61 to 90 days	400	1,025
Overdue 91 to 120 days	225	–
Overdue 121 to 180 days	228	64
Overdue over 180 days	590	3,686
	16,090	9,569

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

## 17. DEFERRED TAX ASSETS

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

	Total HK\$'000
At 1 April 2015	–
Credit to profit or loss	294
At 31 March 2016 and 2017	294

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 18. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Finished goods, at cost	5,246	11,056

## 19. BANK BALANCES AND CASH

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

## 20. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2017 HK\$'000	2016 HK\$'000
Trade payables	28,035	25,902
Accrued expense	5,470	3,526
Accrued listing expenses	8,953	–
Payables for purchase of property and equipment	3,168	–
Deferred revenue (note)	69,158	49,015
Others	1,599	419
	<b>116,383</b>	78,862
Analysed as:		
Current	93,851	65,469
Non-current (note)	22,532	13,393
	<b>116,383</b>	78,862

Note: The amounts represent the prepayment received from the customers for the Group's maintenance and support services over the maintenance and support period. The deferred revenue is recognised as revenue using straight-line method over the terms of respective contracts, and amounts to be released to profit or loss after twelve months of the reporting period are presented as non-current liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 20. TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

The following is an ageing analysis of trade payables presented based on the invoice date.

	2017 HK\$'000	2016 HK\$'000
0 to 30 days	15,002	19,242
31 to 60 days	6,089	338
61 to 90 days	346	–
91 to 120 days	937	416
121 to 365 days	–	5,095
Over 365 days	5,661	811
	<b>28,035</b>	25,902

## 21. AMOUNT DUE TO A RELATED PARTY

Amount due to Xceed Consulting Company (“Xceed”), a company wholly-owned by the spouse of Mr. Raymond Liu, is trade in nature, unsecured, interest-free and with no fixed repayment term. The amount is aged within 30 days which is neither past due nor impaired as at 31 March 2016. The amount is settled during the year ended 31 March 2017.

## 22. AMOUNTS DUE TO DIRECTORS

	2017 HK\$'000	2016 HK\$'000
Mr. Raymond Liu	–	530
Mr. Ashley Lo	–	2,950
	–	3,480

Amounts due to directors are non-trade in nature, unsecured, interest-free and with no fixed repayment term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 23. BANK BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Secured and guaranteed bank borrowings	27,022	8,121
Carrying amount payable:		
Within one year	21,419	2,727
More than one year but not more than two years	2,197	982
More than two years but not more than five years	3,309	3,167
More than five years	97	1,245
	27,022	8,121
Less: Amounts due within one year or contain a repayment on demand clause	(27,022)	(8,121)
Repayable more than one year	–	–

The bank borrowings are at floating rate which carry interest at HK\$/United States Dollar ("US\$") Best Lending Rate or Hong Kong Interbank Offered Rate ("HIBOR") minus a spread. The effective interest rate on the Group's bank borrowings was 3.8% to 6.0% per annum (2016: 4.0% to 6.0%) as at 31 March 2017. The bank borrowings are repayable on demand or repayable within one year and hence classified as current liabilities. The bank borrowings are denominated in HK\$.

The Group's bank borrowings were also secured and guaranteed by:

- (a) the life insurance contracts as set out in note 16 as at 31 March 2017 and 2016; and
- (b) personal guarantees provided by Mr. Raymond Liu and Mr. Ashley Lo as at 31 March 2017 and 2016.

The personal guarantee provided by Mr. Raymond Liu and Mr. Ashley Lo on securing certain banking facilities has been released and replaced by the corporate guarantee provided by the Company upon listing of the shares of the Company on the Stock Exchange.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 24. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases with terms ranged from 2 to 5 years for both years. The effective interest rates were 5.02% (2016: 5.02%) per annum during the year ended 31 March 2017. Interest rates were fixed at the contract dates. The leases were on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Amounts payable under finance leases:				
Within one year	149	350	146	339
In more than one year but not more than two years	–	151	–	146
	149	501	146	485
Less: Future finance charges	(3)	(16)	–	–
Present value of lease obligations	146	485	146	485
Less: Amount due for settlement within one year			(146)	(339)
Amount due for settlement after one year			–	146

The Group's obligations under the finance leases are secured by the lessor's charge over the leased motor vehicles.

## 25. PROVISIONS

During the year ended 31 March 2016, the Group has distributed certain IT securities products without obtaining the relevant sales licenses in the PRC. Pursuant to the relevant PRC law, distribution of products defined as the "special hardware or software products for protecting the security of computer information system" pursuant to the relevant laws should only be made after the distributor has obtained the relevant sales licence. If the sales licence is not obtained prior to distribution, the penalty for the distributor is the confiscation of illegal proceeds (i.e. sales from the products without obtaining sales license less related cost of products) and a fine up to 3 times of the illegal proceeds. The Group has made sales of HK\$668,000 and resulted gross profit of HK\$456,000 on the IT securities products without obtaining the relevant sales licences during the year ended 31 March 2016 and a provision of the penalty charge of HK\$1,826,000 is recognised to the profit or loss in the same year. No such product was sold during the year ended 31 March 2017 and no further provision was made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 26. SHARE CAPITAL

The share capital as at 31 March 2016 represented the share capital of Best Gear and the share capital as at 31 March 2017 represented the share capital of the Company.

Details of the shares of the Company are as follows:

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 7 July 2016 (date of incorporation)	10,000,000	100
Increase in authorised share capital (note)	1,990,000,000	19,900
At 31 March 2017	2,000,000,000	20,000
Issued and fully paid:		
At 7 July 2016 (date of incorporation)	1	–
Issue of shares	99	–
At 31 March 2017	100	–

Note: On 23 March 2017, the authorised share capital of the Company was further increased from HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of further 1,990,000,000 shares pursuant to a resolution passed by the shareholders of the Company.

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 March 2016, the Group entered into a US\$/HK\$ net-settled structured foreign currency forward contract with a bank in Hong Kong. The bank may terminate the contract at its sole discretion on 19 dates as specified in the contract. The Group did not account for this derivative financial instruments under hedge accounting.

The Group is required to settle with the bank monthly during contract period for designated notional amount. If the spot rate for conversion of US\$ for HK\$ as prevailing in the international foreign exchange market ("Spot Rate") on determination date is higher than or equal to 7.7200, the Group will buy US\$250,000 (the "Notional Amount 1") from the bank at 7.7200. If the spot rate on determination date is lower than 7.7200, the Group will buy US\$500,000 ("Notional Amount 2") from the bank at 7.7200. Details of the contract are set out as below.

	Notional Amount 1	Notional Amount 2	Contract date	Beginning determination date	Ending determining date
Structured foreign currency forward contract	US\$250,000	US\$500,000	17 March 2016	29 April 2016	29 March 2018

The above contract is measured at fair value at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 28. RETIREMENT BENEFIT SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. 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 retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group.

The subsidiary in the PRC participates in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group on a specified proportion of the employees' salaries laid down under the relevant PRC laws.

The employees of the subsidiary in Singapore participate in the national pension scheme. The subsidiaries in Singapore are required to contribute certain percentages of the monthly salaries of their current employees to the Central Provident Fund.

During the year ended 31 March 2017 and 2016, the total contribution to retirement benefit schemes charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable to these schemes by the Group at the rate specified in the rules of these schemes.

## 29. 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, amounts due to a related party and directors, obligations under finance leases and equity attributable to owners of the Company, comprising issued share capital and reserves.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	91,852	62,203
<b>Financial liabilities</b>		
Amortised cost	74,247	41,648
Derivative financial instruments	38	303

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits for life insurance contracts, bank balances and cash, trade and other payables and accruals, derivative financial instruments, bank borrowings, obligations under finance leases and amounts due to related parties and directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

#### Market risk

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate obligations under finance leases (note 24). The Group is also exposed to cash flow interest rate risk in relation to the Group's bank balances, deposits for life insurance contracts and variable-rate bank borrowings (notes 19, 16 and 23, respectively). Bank borrowings are concentrated on fluctuation on the bank's HK\$/US\$ Best Lending Rate and HIBOR.

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.

##### 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 each reporting period were outstanding for the whole year. Each year, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in post-tax loss (2016: decrease in post-tax profit) for the year where the interest rate had been 50 basis points higher and all other variable were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### Interest rate risk (continued)

Sensitivity analysis (continued)

	2017 HK\$'000	2016 HK\$'000
Increase in post-tax loss (2016: decrease in post-tax profit) for the year	113	34

For the variable-rate bank balances and deposits for the insurance contracts, 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 2017 and 2016. Accordingly, no sensitivity analysis on interest rate risk is presented.

#### Currency risk

The Group has foreign currency sales and purchases, which exposes 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 US\$ HK\$'000	Denominated in SG\$ HK\$'000
As at 31 March 2017		
Trade and other receivables	257	982
Deposits for life insurance contracts	12,185	–
Bank balances and cash	1,021	641
Trade and other payables	(23,316)	–
Bank borrowings	(5,403)	–
Derivative financial instruments	(38)	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### Currency risk (continued)

	Denominated in US\$ HK\$'000	Denominated in SG\$ HK\$'000
As at 31 March 2016		
Trade and other receivables	2,127	1,161
Deposits for life insurance contracts	11,862	–
Bank balances and cash	821	138
Trade and other payables	(22,276)	–
Bank borrowings	(6,351)	–
Derivative financial instruments	(303)	–

The Group has entered into a foreign exchange forward contract as set out in note 27 to reduce foreign exchange exposure arising on the purchase from external parties. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### Sensitivity analysis

No sensitivity analysis is provided on derivative financial instruments as the directors of the Company consider that the effect of the foreign exchange rate fluctuations on the fair value of derivative financial instruments is considered as insignificant.

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 SG\$ is considered. The following table details the Group's sensitivity to a 5% increase and decrease in SG\$ against HK\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding SG\$ denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in profit-tax loss (2016: an increase in post-tax profit) for the year where SG\$ strengthens 5% against HK\$. For a 5% weakening of SG\$ against HK\$, there would be an equal and opposite impact on the result, and the balances below would be negative.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Market risk (continued)*

#### *Currency risk (continued)*

Sensitivity analysis (continued)

	2017 HK\$'000	2016 HK\$'000
Decrease in post-tax loss (2016: increase in post-tax profit) for the year: SG\$	68	54

#### *Credit risk*

As at 31 March 2017, 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 each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group trades with a large number of customers, thus the Group does not have significant credit risk exposure to any single customer.

The credit risk on bank balances and deposits for life insurance contracts is limited because the counterparties are banks with good reputation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. 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.

As at 31 March 2017, the Group had net current liabilities of HK\$4,682,000. Management of the Group monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through open offer to meet its working capital requirements. The details of the issue of shares of the Company upon the listing which took place on 19 April 2017 are disclosed in note 37. The directors of the Company believe that the Group's current operating cash flows and the net proceeds from the open offer are sufficient for financing its capital commitments in the near future and for working capital purposes.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

#### 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	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31 March 2017 HK\$'000
As at 31 March 2017							
Trade and other payables and accruals	N/A	-	47,225	-	-	47,225	47,225
Bank borrowings – variable-rate	5.26%	27,022	-	-	-	27,022	27,022
Obligations under finance leases – fixed-rate	5.02%	-	149	-	-	149	146
Provisions	N/A	1,826	-	-	-	1,826	1,826
		28,848	47,374	-	-	76,222	76,219

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

#### Liquidity tables (continued)

	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	Total undiscounted cash flows HK\$'000	Total carrying HK\$'000
As at 31 March 2016							
Trade and other payables and accruals	N/A	–	29,847	–	–	29,847	29,847
Amounts due to related parties	N/A	200	–	–	–	200	200
Amounts due to directors	N/A	3,480	–	–	–	3,480	3,480
Bank borrowings – variable-rate	3.99%	8,121	–	–	–	8,121	8,121
Obligations under finance leases							
– fixed-rate	5.02%	–	89	261	151	501	485
Provisions	N/A	1,826	–	–	–	1,826	1,826
		13,627	29,936	261	151	43,975	43,959

The amount included for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

As at 31 March 2017 and 2016, 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 2017, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$27,022,000 (2016: HK\$8,121,000). 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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

##### Liquidity tables (continued)

	Weighted average effective interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31 March 2016 HK\$'000
Bank borrowings:								
As at 31 March 2017	5.10%	18,279	3,575	2,376	3,548	116	27,894	27,022
As at 31 March 2016	3.99%	1,339	1,618	1,160	3,481	1,272	8,870	8,121

In addition, the derivative financial instruments are considered as repayable on demand as the bank has its sole discretion to terminate the contract. The following table details the Group's liquidity analysis for its derivative financial instruments assuming the bank will not exercise its rights to terminate the derivative contract. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative instruments by using the forward rate published by independent financial information agency as at 31 March 2017 and 2016. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives assuming the bank will not exercise its rights to terminate the derivative contract.

	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount of derivative financial instruments HK\$'000
As at 31 March 2017					
Derivative – net cash outflow	12	41	–	53	38
As at 31 March 2016					
Derivative – net cash outflow	19	84	121	224	303

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 30. FINANCIAL INSTRUMENTS (continued)

### Fair value measurements of financial instruments

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

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

Financial liabilities	2017 HK\$'000	2016 HK\$'000	Fair value hierarchy	Valuation technique	Key inputs
Derivative financial instruments – liabilities	38	303	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate

There were no transfers between Level 1 and 2 during both years.

#### *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 statements of financial position approximate their fair values.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 31. OPERATING LEASE COMMITMENTS

As at 31 March 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	5,476	2,500
After one year but within five years	6,225	912
	11,701	3,412

The Group leased a director's quarter from a related company as set out in note 32 and office premises from third parties under operating lease arrangements. Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years.

## 32. RELATED PARTY TRANSACTIONS

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

	2017 HK\$'000	2016 HK\$'000
Consultancy fees paid/payable to Xceed	–	1,960
Service income received/receivable from Xceed	–	168
Rental expense paid/payable to I Productions Limited ("IProductions") (note i)	–	420
Interest paid to Success Vision	115	–
Services fees paid/payable to Columns Asia Limited ("Columns Asia") (note ii)	215	–

Notes:

- (i) The spouse of Mr. Ashley Lo is the controlling shareholder of IProductions.
- (ii) Mr. Raymond Liu is the controlling shareholder of Columns Asia.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 32. RELATED PARTY TRANSACTIONS (continued)

As at 31 March 2016, the Group acquired 49% equity interest of Edvance Technology (Singapore) from Mr. Raymond Liu at a consideration of HK\$303,000.

Total operating lease commitment of the Group in respect of the rental of director's quarter with IProductions amounted to HK\$35,000 as at 31 March 2016.

The above related party transactions were terminated during the year ended 31 March 2017 except for the transactions with Columns Asia.

### Compensation of key management personnel

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

	2017 HK\$'000	2016 HK\$'000
Short-term benefits	11,039	8,258
Post-employment benefits	489	372
	<b>11,528</b>	<b>8,630</b>

## 33. MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Best Gear	–	16%	3,124	2,284	–	1,931
Edvance Consulting (HK)	–	–	–	(8)	–	–
Edvance Technology (Singapore)	–	–	–	426	–	–
	–	–	<b>3,124</b>	2,702	–	1,931

Edvance Consulting (HK) and Edvance Technology (Singapore) became wholly-owned subsidiaries upon completion of the reorganisation as at 31 March 2016 at cash consideration of HK\$30,000 and SG\$49,000 (equivalent to HK\$303,000), respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 33. MATERIAL NON-CONTROLLING INTERESTS (continued)

On 24 June 2016, Mr. Ashley Lo disposed of 8% equity interest of Best Gear to Earning Gear at a cash consideration of HK\$7,200,000. Upon the disposal, Controlling Shareholders' interest in Best Gear was decreased from 84% to 76% and the difference of HK\$1,349,000 on the proportionate share of net assets attributable to the non-controlling interests of Best Gear is debited to other reserves upon the disposal.

On 23 March 2017, Mr. Raymond Liu, Mr. Ashley Lo, Earning Gear, Mr. Von John, Mr. TL Lam and Mr. Francis Lee transferred their entire equity interests in Best Gear to the Company for the consideration of and in exchange for the shares of the Company. Details refer to note 2(v). Upon the completion of these transfers, Best Gear became the wholly-owned subsidiary of the Company.

Summarised consolidated financial information in respect of Best Gear is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

	<b>1 April 2016 to 23 March 2017 HK\$'000</b>	1 April 2015 to 31 March 2016 HK\$'000
Revenue	<b>222,060</b>	176,999
Other income and other gains and losses, net	<b>685</b>	(203)
Expenses	<b>(205,253)</b>	(158,836)
Taxation	<b>(2,875)</b>	(3,268)
Profit for the year	<b>14,617</b>	14,692
Other comprehensive expense for the year	<b>(583)</b>	(50)
Total comprehensive income for the year	<b>14,034</b>	14,642
Profit for the year attributable to:		
– owners of Best Gear	<b>11,493</b>	11,990
– non-controlling interests of Best Gear	<b>3,124</b>	2,284
– non-controlling interests of Edvance Consulting (HK), Edvance Technology (Singapore) and Edvance Technology (HK)	<b>–</b>	418
	<b>14,617</b>	14,692
Total comprehensive income for the year attributable to:		
– owners of Best Gear	<b>11,035</b>	11,948
– non-controlling interests of Best Gear	<b>2,999</b>	2,276
– non-controlling interests of Edvance Consulting (HK), Edvance Technology (Singapore) and Edvance Technology (HK)	<b>–</b>	418
	<b>14,034</b>	14,642

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2017*

## 33. MATERIAL NON-CONTROLLING INTERESTS (continued)

	2016 HK\$'000	
Total assets	106,214	
Total liabilities	(94,146)	
	12,068	
Equity attributable to owners of Best Gear	10,137	
Non-controlling interests of Best Gear	1,931	
	12,068	
	<b>1 April 2016 to 23 March 2017 HK\$'000</b>	1 April 2015 to 31 March 2016 HK\$'000
Net cash inflow (outflow) from operating activities	<b>1,809</b>	12,580
Net cash outflow from investing activities	<b>(9,065)</b>	(9,034)
Net cash inflow from financing activities	<b>13,842</b>	2,135
Net cash inflow	<b>6,586</b>	5,681

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 33. MATERIAL NON-CONTROLLING INTERESTS (continued)

Summarised financial information in respect of Edvance Consulting (HK) is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 HK\$'000
Revenue	1,564
Expenses	(1,589)
Loss and total comprehensive expense for the year	(25)
Loss and total comprehensive expense for the year attributable to:	
– owners of Edvance Consulting (HK)	(17)
– non-controlling interests of Edvance Consulting (HK)	(8)
	(25)
	2016 HK\$'000
Current assets	324
Current liabilities	(783)
	(459)
Equity attributable to owners of Edvance Consulting (HK)	(459)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 33. MATERIAL NON-CONTROLLING INTERESTS (continued)

	2016 HK\$'000
Net cash inflow from operating activities	216
Net cash outflow from investing activities	(500)
Net cash outflow	(284)

Summarised financial information in respect of Edvance Technology (Singapore) is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 HK\$'000
Revenue	11,303
Other income and other gains and losses, net	(36)
Expenses	(10,692)
Taxation	294
Profit and total comprehensive income for the year	869
Profit and total comprehensive income for the year attributable to:	
– owners of Edvance Technology (Singapore)	443
– non-controlling interests of Edvance Technology (Singapore)	426
	869

	2016 HK\$'000
Non-current assets	436
Current assets	6,927
Current liabilities	(8,792)
Non-current liabilities	(225)
	(1,654)
Equity attributable to owners of Edvance Technology (Singapore)	(1,654)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 33. MATERIAL NON-CONTROLLING INTERESTS (continued)

	2016 HK\$'000
Net cash outflow from operating activities	(667)
Net cash inflow from financing activities	906
Net cash inflow	239

## 34. FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") with a bank. The following recognised financial asset and financial liabilities are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Details are set out below.

### At 31 March 2017

	Gross/net amounts presented on statement of financial position HK\$'000	Related amount not set off in statement of financial position		
		Financial instrument HK\$'000	Cash collateral received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
– Bank balances	7,731	(38)	–	7,693
Recognised financial liabilities:				
– Derivative financial instruments	(38)	–	38	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 34. FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS (continued)

At 31 March 2016

	Gross/net amounts presented on statement of financial position HK\$'000	Related amount not set off in statement of financial position Financial instrument HK\$'000	Cash collateral received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
– Bank balances	8,041	(303)	–	7,738
Recognised financial liabilities:				
– Derivative financial instruments	(303)	–	303	–

## 35. CAPITAL COMMITMENT

At 31 March 2017, the Group has capital commitments of HK\$216,000 (2016: nil) in respect of the property and equipment contracted but not provided for.

## 36. NON-CASH TRANSACTIONS

The Group entered into finance lease arrangements in respect of motor vehicles of nil (2016: HK\$426,000) for the year ended 31 March 2017.

## 37. EVENTS AFTER REPORTING PERIOD

The shares of the Company have been listed on the GEM of the Stock Exchange on 19 April 2017. On the same date, 749,999,900 of the Company's new shares were issued through capitalisation of HK\$7,499,999 standing to the credit of share premium account of the Company. Also, 250,000,000 new shares of the Company of HK\$0.01 each of the Company were issued at an offer price of HK\$0.32 per share.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 38. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Company as at 31 March		Principal activities
			2017	2016	
Best Gear	BVI	US\$100	100%	84%	Investment holding
<b>Subsidiaries of Best Gear</b>					
Edvance Holdings	Hong Kong	HK\$1	100%	100%	Investment holding
Edvance Consulting (Hong Kong)	Hong Kong	HK\$100,000	100%	100%	Provision of IT security services
Edvance Technology (Hong Kong)	Hong Kong	HK\$100,000	100%	100%	Distribution of IT security products and provision of IT Security services
Edvance Technology (China) Limited (note) 安領科技(深圳)有限公司	PRC	Renminbi 2,000,000	100%	100%	Distribution of IT security products and provision of IT security services
Edvance Technology (Macau) Limited	Macau	Macau Pataca 25,000	100%	100%	Distribution of IT security products and provision of IT Security services
Edvance Technology (Singapore)	Singapore	SG\$100,000	100%	100%	Distribution of IT security products and provision of IT security services

Note: Edvance Technology (China) Limited was established in the PRC in the form of wholly foreign-owned enterprise.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

## 39. 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:

	2017 HK\$'000
Non-current assets	
Investment in a subsidiary	1
Current assets	
Other receivables	5,000
Current liabilities	
Other payables	8,953
Amount due to a subsidiary	12,955
Non-current liabilities	(21,908)
Total assets less current liabilities	(16,907)
Capital and reserve	
Share capital (note 26)	–
Accumulated losses (note)	(16,907)
Total equity	(16,907)

Note:

### Reserves of the Company

	Accumulated loss HK\$'000
At 7 July 2016 (date of incorporation)	–
Loss and total comprehensive expense for the period	(16,907)
At 31 March 2017	(16,907)

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in the FY2017 results announcement and annual report in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“cloud”	internet-based computing that provides shared computer processing resources and data to IT devices via the internet
“cyber-attack(s)”	deliberate exploitation of IT systems and/or networks, using malicious code to alter computer code, logic or data, resulting in disruptive consequences
“hacking”	unauthorised intrusion into a computer or a network, which may result in altered system or security features to accomplish a goal that differs from the original purpose
“hardware”	the collection of physical components that constitute a computer system
“IT”	information technology
“IT Security”	IT Security, also known as cyber security or computer security, is to safeguard IT systems including hardware, software and information from disclosure, damage as well as disruption and misdirection
“IT Security Products”	hardware or software manufactured or developed for the protection of computer systems from theft or damage to the hardware, software or the information therein, as well as from disruption or misdirection of the services they provide. In the context of our Group, “IT Security Products” includes (i) network security products; (ii) system security products; and (iii) application and data security products
“IT Security Services”	the support and consulting services for the purpose of IT system protection. In the context of our Group, “IT Security Services” includes (i) technical implementation services; (ii) maintenance and support services; and (iii) consulting services
“IT Security Solutions”	being a sub-set of IT Solutions, refers to the integrated and customised solutions of IT Security Products and IT Security Services for satisfying the IT Security needs of customers
“IT Solutions”	the application of the combination of electronic equipment and corresponding value-added services, such as data storage, transmission, retrieval, manipulation, etc, for satisfying the IT needs of customers
“network”	a group of two or more computer systems linked together which allows them to exchange data
“software”	part of a computer system that consists of encoded information or computer instructions, in contrast to the physical hardware from which the system is built