

# edvance

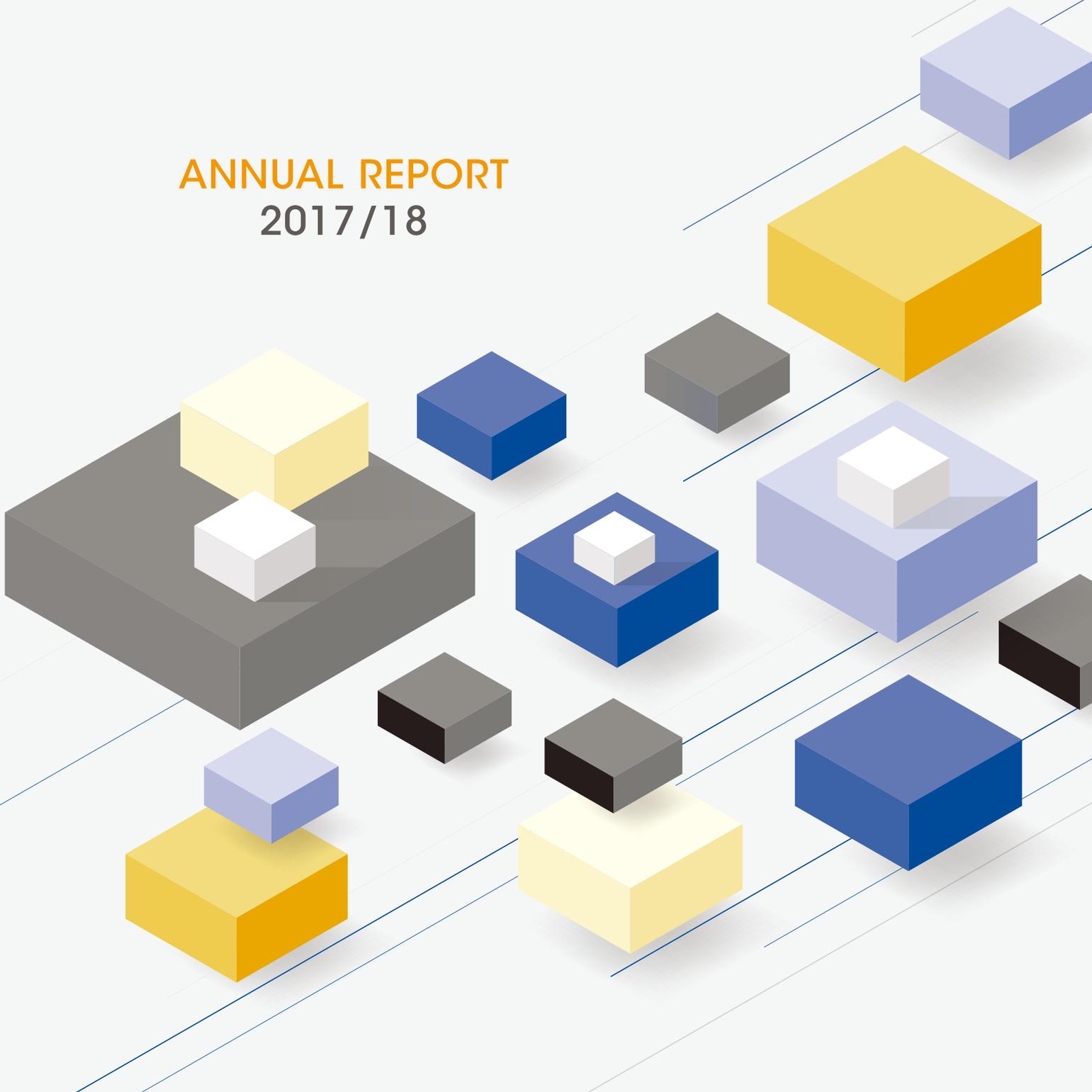
**Edvance International Holdings Limited**

**安領國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8410

**ANNUAL REPORT**  
**2017/18**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

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

### Independent non-executive Directors

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

## 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

## LEGAL ADVISOR

Locke Lord  
21/F, Bank of China Tower  
1 Garden Road  
Central  
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 four years ended 31 March 2015, 2016, 2017 and 2018

	2018 HK\$'000	Year ended 31 March		
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>RESULTS</b>				
Revenue	302,323	222,060	176,999	125,459
Gross profit	84,756	61,528	53,193	37,544
Profit before taxation	23,047	585	17,960	6,722
Profit (Loss) for the year attributable to				
– owners of the Company	18,182	(5,414)	11,990	5,721
– non-controlling interests	–	3,124	2,702	(643)
Profit (Loss) for the year	18,182	(2,290)	14,692	5,078
Excluding non-recurring listing expenses	178	16,791	–	–
Normalized profit for the year attributable to owners of the Company	18,360	11,377	11,990	5,721

	2018 HK\$'000	As at 31 March		
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>				
Non-current assets	72,551	36,409	22,309	13,361
Current assets	197,384	118,201	83,905	50,200
Non-current liabilities	(43,919)	(22,532)	(13,842)	(15,972)
Current liabilities	(124,036)	(122,883)	(80,304)	(46,830)
Net current assets (liabilities)	73,348	(4,682)	3,601	3,370
Net assets	101,980	9,195	12,068	759

## FINANCIAL SUMMARY (continued)

For the four years ended 31 March 2015, 2016, 2017 and 2018

	Year ended 31 March			
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>CASH FLOWS</b>				
Net cash generated from (used in) operating activities	11,402	(1,358)	12,580	6,103
Net cash used in investing activities	(33,887)	(5,897)	(9,034)	(1,510)
Net cash from (used in) financing activities	66,159	13,842	2,135	(2,704)
Net increase in cash and cash equivalents	43,674	6,587	5,681	1,889
Cash and cash equivalents at beginning of the year	18,499	12,494	6,862	4,902
Effect of exchange rate changes	218	(582)	(49)	71
Cash and cash equivalents at end of the year	62,391	18,499	12,494	6,862

	Year ended 31 March			
	2018	2017	2016	2015
<b>FINANCIAL RATIOS #</b>				
Net profit margin *	6.1%	5.1%	6.8%	4.6%
Return on equity *	18.0%	123.7%	118.3%	320.1%
Return on total assets *	6.8%	7.4%	11.3%	9.0%
Current ratio	1.6	1.0	1.0	1.1
Quick ratio	1.5	0.9	0.9	1.0
Gearing ratio	20.9%	295.5%	101.8%	739.7%
Debt to equity ratio	Net cash	94.3	Net cash	Net cash
Interest coverage *	46.5	15.0	27.5	26.6
Average inventory turnover days	12	19	24	19
Average trade receivables turnover days	84	81	61	55
Average trade payables turnover days	52	61	54	35

\* Excluding non-recurring listing expenses

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

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of 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 2018 ("FY2018").

With regards to our financial performance for FY2018 as compared with the year ended 31 March 2017 ("FY2017"), our revenue increased by approximately HK\$80.2 million, or 36.1% from approximately HK\$222.1 million to approximately HK\$302.3 million.

The normalised profit for the year of the Company in FY2018 was approximately HK\$18.4 million. This represents an increase of approximately HK\$3.9 million or 26.9% from normalised profit approximately HK\$14.5 million in FY2017.

As reflected by the financial performance, the Group saw significant growth in FY2018. The growth further confirms the Group as a significant leading player in IT Security Solution locally.

This year is also marked by significant investments made to strengthen our competitive advantage and operational efficiency across the group, as well as increased market presence.

The Group believes that our technical expertise continues to be an important asset to our success and thus we introduced incentives and measures to retain our staff for their continuous support and technical expertise.

Looking ahead, we believe the cybersecurity market continues to grow in Asia. The Group is positioned to capture the growing business opportunities in the IT Security Solutions market in the Asia Pacific region by delivering our existing IT Security Solution to a ready market, introduce emerging IT Security Solutions to address evolving IT security challenges, as well as expanding our existing operations in Singapore to widen our market reach. All of these ride on a dedicated team that delivers quality services.

Finally, on behalf of the Board, I would like to once again express my sincere thanks to all business partners, customers and suppliers for their ongoing support, as well as our dedicated staff for their strong contributions throughout this challenging year.

**LIU Yui Ting, Raymond**

*Chairman and Executive Director*

Hong Kong, 22 June 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group continues to be a leading established value-added distributor of cyber security products and provider of related professional services with business operations in 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.

During FY2018, the Group continued to grow its business through promoting new and existing products and services to its market through its customers. Our growth in revenue of approximately 36.1% and gross profit of approximately 37.9% for FY2018 as compared to FY2017 shows that the Group continues to be a leading provider of IT Security Product and Services. While the business volume is buoyed by increased market awareness on IT security needs, the Group has invested to strengthen our overall competitiveness.

The Group deployed a new ERP system during FY2018 and its effectiveness was confirmed in its ability to manage the growth in business transactions. The Group believes the new ERP system would continue to be effective in managing the increasing transaction volume in the foreseeable future.

The new ERP system is also used to improve management reporting in a more concise manner, improving on business predictability and manageability of the Group. Informed with better management intelligence, the Group was able to make better management decisions and address challenges in a timely fashion.

During the period, the Group entered into five new IT security product distribution partnerships with our business partners. These products enable the Group to address emerging IT security challenges faced by the industry. The Group invested in technical expertise on these products as well as executing marketing campaigns to realize their market penetration.

None of the preparation would be of competent level without our technical team, the Group believes that our staff, with their knowledge and experiences, is an important asset to its success. Thus the Group introduced share option scheme during FY2018, in order to reward our employees' thus far contribution, as well as to incentivize them for their continued support and contribution.

Finally, the Group invested in a new property in Singapore to bolster our operational capability and market reach locally. This is important to position ourselves to provide better coverage and services across Singapore and its proximity.

All in all, FY2018 was a successful year for the Group. While the financial figures were positive and sound, the Group has in parallel invested heavily in numerous initiatives to ensure organic and healthy growth for the long run.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## OUTLOOK AND PROSPECTS

The Group observes that cybersecurity impacts and awareness continue to increase in Asia, exemplified by numerous high-profile incidents in 2017. Business concerns around the likelihood and impact of technological threats continues to sharpen, while cyber crimes are also increasingly commoditized and increasingly simpler to execute. As such cyber-attacks are becoming an even more urgent top risks amongst the enterprises that the Group works with.

In this climate, the Group continues to see strong interest in cyber security from the market across our key trading geographies, contributing to business growth in the short and medium term.

New security products that the Group came into distributorship with in FY2018 is generating interests amongst the local client base, confirming their ability to address emerging IT security challenges. Along with the other investments in place, the Group believes that these measures would continue to enhance the overall competitive position in our operating environments and contribute to our success.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by approximately HK\$80.2 million, or 36.1% from approximately HK\$222.1 million for FY2017 to approximately HK\$302.3 million for FY2018. 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 increase in demand for IT security products and services.

### Gross profit and gross profit margin

Our gross profit increased by approximately HK\$23.3 million, or 37.9% from approximately HK\$61.5 million for FY2017 to approximately HK\$84.8 million for FY2018. The increase was in line with the increase in revenue. Our gross profit margin slightly increased from 27.7% to 28.0%.

### Other income

Our other income mainly comprises of (i) bank interest income; and (ii) interest income from deposits for life insurance contracts that we purchased for our Directors and senior staffs. The amounts increased to approximately HK\$0.8 million for FY2018 from HK\$0.6 million for FY2017 which was mainly due to increase in bank interest income.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## Other gains and losses, net

Our other gains and losses for FY2018 mainly comprises of (i) reversal of allowance for bad and doubtful debts; (ii) net foreign exchange gains. Other gains and losses increased from HK\$58,000 to HK\$0.8 million as gains recognised during FY2017 were partially offset by loss on disposal of property and equipment arising from removal of new Hong Kong headquarters.

## Distribution and selling costs

Our distribution and selling costs increased by approximately HK\$4.7 million, or 26.9% from approximately HK\$17.5 million for FY2017 to approximately HK\$22.2 million for FY2018. The increase was mainly attributed by the increase in staff cost.

## Administrative expenses

Our administrative expenses increased by approximately HK\$14.4 million, or 55.2% from approximately HK\$26.1 million for FY2017 to approximately HK\$40.5 million for FY2018. The increase was mainly due to the combined effects of (i) increase in staff cost to cope with the Group's expansion by approximately HK\$6.8 million, and (ii) increase in rental expenses and depreciation provided for our expansion of Hong Kong headquarters by approximately HK\$3.9 million.

## Finance costs

Our finance costs decreased by approximately HK\$0.7 million, or 58.3% from approximately HK\$1.2 million for FY2017 to approximately HK\$0.5 million for FY2018. The decrease was mainly due to the decreased bank borrowings.

## Taxation

Our taxation increased by approximately HK\$2.0 million, or 69.0% from approximately HK\$2.9 million for FY2017 to approximately HK\$4.9 million for FY2018. The increase was mainly due to higher taxable profit in FY2018 as a results of increased gross profit.

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

The profit attributable to owners of the Company for FY2018 was approximately HK\$18.2 million. Excluding the non-recurring listing expenses of approximately HK\$0.2 million and approximately HK\$16.8 million for FY2018 and FY2017, respectively, the Group should have recorded profit attributable to owners of the Company, which increased by approximately HK\$7.0 million or 61.4% from approximately HK\$11.4 million for FY2017 to approximately HK\$18.4 million for FY2018.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## Cash flow

The cash generated from operating activities during FY2018 was about HK\$11.4 million while the cash used in operating activities during FY2017 was about HK\$1.4 million. The increase in cash generated was mainly due to increase in revenue and profit for the year.

The cash used in investing activities in FY2018 was about HK\$33.9 million while the cash used in investing activities in FY2017 was about HK\$5.9 million. The increase was mainly due to the deposit paid for acquisition of properties in Singapore of approximately HK\$28.7 million.

The cash from financing activities in FY2018 was about HK\$66.2 million while the cash from financing activities in FY2017 was about HK\$13.8 million. The increase was mainly due to the proceeds from issue of shares in FY2018.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We financed our operation mainly through cash generated from our operating activities. As at 31 March 2018 and 2017, we had cash and cash equivalents of approximately HK\$62.4 million and HK\$18.5 million respectively.

The Group's gearing ratio, which is calculated based on the total debt (defined as the sum of 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 20.9% and 295.5% as at 31 March 2018 and 2017 respectively.

Our liquidity position had been strengthened by using the combined of cash generated from operating activities and the net proceeds received from the Listing.

## CAPITAL STRUCTURE

As at 31 March 2018, the capital structure of the Company comprised issued share capital and reserves.

## COMMITMENTS

As at 31 March 2018, the Group has capital commitments of approximately HK\$1.6 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 FY2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## CONTINGENT LIABILITIES

As at 31 March 2018, 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 receipt of our trade receivables denominated in RMB; 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 FY2018.

## CHARGE ON GROUP'S ASSETS

As at 31 March 2018, the Group's bank borrowings were secured by the deed of assignment of all rights relating to properties together with mortgage-in-escrow to be perfected as first legal mortgage of the properties located in Singapore and life insurance contracts entered into with a bank as set out in notes 16 and 17 of the audited financial statements.

## INFORMATION ON EMPLOYEES

As at 31 March 2018, the Group had 84 employees (31 March 2017: 76) and most of them were working in the Hong Kong headquarters. We incurred staff costs inclusive of performance related bonus, bonus and directors' emoluments in the aggregate of approximately HK\$51.5 million and HK\$39.7 million for FY2018 and FY2017, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company with actual business progress up to 31 March 2018.

### Business objectives up to 31 March 2018 as set out in the Prospectus

### Actual implementation plan up to 31 March 2018

Expansion and renovation of our Hong Kong headquarters	The Group had completed the expansion of its headquarters and is fully operating from the facility.
Establishment of the detection and response centre	The Group has been continuing to invest in the detection and response centre and improving its offering with better products and services in Hong Kong and Singapore.
Upgrading our management system	<p>The Group had purchased a new management system and had migrated business operations into it.</p> <p>A business analytics platform analysis of our business performance and management report was implemented.</p> <p>Implementation of a new web portal as a community for IT professionals was postponed to year ending 31 March 2019.</p>
Upgrading our network infrastructure	Certain hardwares were purchased to update our network infrastructure to ensure the smooth operation of the Hong Kong headquarters.
Expansion of operation in Singapore as the Services Hub together with its renovation	On 16 January 2018, the Company through its subsidiary entered into sale and purchase agreements to acquire two properties in Singapore at consideration of S\$2,592,000.00 and S\$2,548,800.00, respectively (equivalent to an aggregate amount of approximately HK\$30,433,536.00). For details, please refer to the announcement dated 16 January 2018.
Investment in demonstration equipment	Additional demonstration equipments were purchased for our Group's pitching activities.
Increasing our marketing efforts	Marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc, were carried out.
Expanding our workforce	One sales staff, two IT technical staff and one administrative staff were hired in Hong Kong; and one sales staff, one technical staff and one administrative staff were hired in Singapore.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## USE OF PROCEEDS FROM THE LISTING

The Shares were listed on GEM on 19 April 2017 (the "Listing Date"). 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 "Business Objectives and Future Plans" of the Prospectus. Set out below is the actual use of net proceeds up from the Listing Date to 31 March 2018:

Use of proceeds	Net proceeds	Planned use of	Actual use of	Amount remaining
	from the Listing	net proceeds as stated in the Prospectus up to 31 March 2018	net proceeds up to 31 March 2018	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Expansion and renovation of Hong Kong headquarters	3.2	3.2	3.2	–
Establishment of the detection and response centre <sup>(1)</sup>	2.4	1.9	0.5	1.9
Upgrading the management systems <sup>(2)</sup>	3.7	1.7	0.5	3.2
Upgrading the network infrastructure	1.2	0.6	0.4	0.8
Expansion of operation in Singapore as the Services Hub together with its renovation	22.5	–	22.5	–
Investment in demonstration equipment	3.0	1.5	1.3	1.7
Increasing the marketing efforts	1.2	0.4	0.5	0.7
Expanding the workforce	16.7	2.9	3.0	13.7
General working capital	2.1	0.9	0.9	1.2
<b>Total</b>	<b>56.0</b>	<b>13.1</b>	<b>32.8</b>	<b>23.2</b>

Notes:

- Purchases of detection devices, logging devices and servers were postponed to the year ending 31 March 2019.
- Implementation of a business analytics platform to analysis business performance and management reporting was postponed to the year ending 31 March 2019.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Liu Yui Ting Raymond** (廖銳霆), aged 49, 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. 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 26 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 40, 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. Mr. Lee is also the director of certain subsidiaries of the Company. He is currently responsible for the overall business development, strategic planning and major decision-making of our Group.

Mr. Lee has over 16 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.

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

**Mr. Von John** (黃繼明), aged 53, 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 currently the director of certain subsidiaries of the Company. He 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.

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 47, 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 20 years of experience in the IT industry. He joined HP (Hong Kong) in September 1997 and subsequently HP (HKSAR) and his last position prior to his departure in December 2010 was program manager.

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

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

### NON-EXECUTIVE DIRECTORS

**Dr. Tang Sing Hing Kenny** (鄧聲興), aged 49, 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 24 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. From June 2015 to May 2018, he worked as an executive director of Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited) (stock code: 397) and principally engaged in financial services and solar energy business. Dr. Tang is currently the responsible officer of China Hong Kong Capital Asset Management Company Limited since April 2018.

Dr. Tang has been an independent non-executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893), a company listed on the main board of the Stock Exchange and principally engaged in sale and development of personal care products, since September 2014.

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.

**Mr. Lo Wai Ho Ashley** (羅偉浩), aged 53, was re-designated as a non-executive Director on 1 January 2018. He is one of the founders of our Group and has been a technology director since August 2002.

Mr. Lo has over 28 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.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yu Kwok Chun Raymond** (余國俊), aged 62, 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 Hewlett-Packard HKSAR Ltd., ("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 55, 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 30 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 50, 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 16 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 47, 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 14 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 49, 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 26 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)

**Ms. Law Wai Chi** (羅偉慈), aged 38, 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 15 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 33, 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 member of CPA (Practising) of the Hong Kong Institute of Certified Public Accountants since January 2018.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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.

In the opinion of the Directors, save for the deviation of code provision A.6.7 and C.3.3 of the CG Code, 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 GEM Listing Rules for the year ended 31 March 2018. The Board will keep reviewing and updating such practices from time to time to ensure compliance with Legal and Commercial standards.

## 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, 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 four (4) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors ("INED") can effectively exercise independent judgment. The Directors during the year ended 31 March 2018 were set out below:

### Executive Directors

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

### Non-executive Directors

Dr. Tang Sing Hing Kenny  
Mr. Lo Wai Ho Ashley (*Re-designated from Executive Director to Non-executive Director on 1 January 2018*)

### Independent non-executive Directors

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

## 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 19 April 2017, subject to retirement and re-election in accordance to the Articles of Association of the Company (the "Articles") and the GEM Listing Rules and terminated by either the Company or the executive Director giving each other one month notice in writing. Each of the non-executive Directors and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years commencing from 21 November 2016, the Listing Date respectively, save for Mr. Lo Wai Ho, Ashley, the re-designated non-executive Director entered the letter of appointment for an initial term of three (3) years commencing from 1 January 2018, subject to retirement and re-election in accordance to the Articles 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 Articles 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 Friday, 3 August 2018 ("2018 AGM") and be eligible to offer themselves for re-election at the 2018 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 2018 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.

Besides, the Company keeps circulating information and materials to develop and update Directors' (Mr. Liu Yui Ting Raymond, Mr. Lee Francis Sung Kei, Mr. Von John, Mr. Lam Tak Ling, Dr. Tang Sing Hing Kenny, Mr. Lo Wai Ho Ashley, 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 2018 is set out below:

	<b>Attending training course(s) relevant to corporate governance</b>	<b>Reading materials relevant to corporate governance</b>
<b>Executive Directors</b>		
Mr. Liu Yui Ting Raymond	✓	✓
Mr. Lee Francis Sung Kei	✓	✓
Mr. Von John	✓	✓
Mr. Lam Tak Ling	✓	✓
<b>Non executive Directors</b>		
Dr. Tang Sing Hing Kenny	✓	✓
Mr. Lo Wai Ho Ashley	✓	✓
<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 2018, 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. 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	AGM	Board	Attendance record of Directors at the meetings		
			Audit Committee ("AC")	Remuneration Committee ("RC")	NC
Mr. Liu Yui Ting Raymond	1/1	6/6	N/A	1/1	2/2
Mr. Lee Francis Sung Kei	1/1	6/6	N/A	N/A	N/A
Mr. Von John	1/1	6/6	N/A	N/A	N/A
Mr. Lam Tak Ling	1/1	6/6	N/A	N/A	N/A
Dr. Tang Sing Hing Kenny	0/1	6/6	N/A	N/A	N/A
Mr. Lo Wai Ho Ashley <i>(Note)</i>	1/1	6/6	N/A	N/A	N/A
Mr. Yu Kwok Chun Raymond	0/1	6/6	4/4	1/1	2/2
Mr. Ng Tsz Fung Jimmy	0/1	6/6	4/4	1/1	2/2
Mr. Chan Siu Ming Simon	0/1	6/6	4/4	1/1	2/2

*Note:* Mr. Lo Wai Ho Ashley was designated from Executive Director to Non-Executive Director with effect from 1 January 2018.

There were two (2) additional Board meetings held and attended by certain executive Directors and INEDs for normal course of business up to the date of this annual report. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company Secretary and are available for inspection by the Directors at all times.

# CORPORATE GOVERNANCE REPORT (continued)

## 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 of the Board in accordance with good corporate governance practices and procedures which 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.

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 AC, the 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.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the non-executive Director, Dr. Tang Sing Hing Kenny and the independent non-executive Directors Mr. Yu Kwok Chun Raymond, Mr. Ng Tsz Fung Jimmy and Mr. Chan Siu Ming Simon were unable to attend the Company's annual general meeting held on 14 August 2018.

## 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.

## CORPORATE GOVERNANCE REPORT (continued)

Pursuant to code provision C.3.3 of the CG Code, 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. During the reviewed period, the members of the AC only met once with the external auditors which is deviated from code provision C.3.3 due to their other business commitments in which they could not meet at same time within the reviewing period. During the Relevant Period, the individual attendance records of the each member at the meeting of the AC is set out on page 25 of this annual report.

Up to the date of this annual report, the AC held four (4) meetings, of which one of the meetings was also with the presence of the external auditor and the senior management of the Company and performed the following major tasks:

- a. Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- b. Review and discussion of the risk management and internal control system of the Group;
- c. Discussion and recommendation of the re-appointment of external auditor; and
- d. Review of the Company's continuing connected transactions for the year ended 31 March 2018 pursuant to the GEM Listing Rules.

Save for the deviation of code provision C.3.3 of the CG Code explained above, the Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 March 2018 and up to the date of this report.

### AUDITOR'S REMUNERATION

During the year ended 31 March 2018, 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	2018 HK\$'000	2017 HK\$'000
Audit for the year	1,200	1,000
Initial public offering	–	2,400
Others	77	261

# CORPORATE GOVERNANCE REPORT (continued)

## 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 to 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.

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. During the year ended 31 March 2018, NC held 2 meetings, the individual attendance records of the each member at the meeting of the NC is set out on page 25 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:

- a. assessed the structure, size and composition of the Board and make recommendations on any proposed changes to the Board, if any.
- b. reviewed the analysis of the diversity of the Board.

## CORPORATE GOVERNANCE REPORT (continued)

- c. studied the independence of each independent non-executive Director in accordance with the GEM Listing Rules.
- d. identified those Directors to be retired from the Board in the 2018 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.
- e. 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. During the year ended 31 March 2018, the RC held 1 meeting, the individual attendance records of the each member at the meeting of the RC is set out on page 25 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:

- a. 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 2018.
- b. reviewed all the senior management's remuneration paid during the year ended 31 March 2018 with reference to the Board's corporate goals and objectives.
- c. considered the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
- d. reviewed and made recommendation to the Board on the remuneration packages of individual Directors and senior management for the coming year.
- e. reviewed and ratified service contracts signed by the Directors.

# CORPORATE GOVERNANCE REPORT (continued)

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

<b>In the band of</b>	<b>Number of Individuals</b>
Nil to HK\$1,000,000	6
HK\$1,000,001 to HK\$2,000,000	6
HK\$2,000,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$4,000,000	–
Over HK\$4,000,000	–

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 March 2018 are set out in note 12 to the consolidated financial statements, respectively, contained in this annual report.

## 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:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- 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
- 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.

# CORPORATE GOVERNANCE REPORT (continued)

## 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 2018, the Company Secretary has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

## 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 2018 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 2018, 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 56 to 60 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 for the year ended 31 March 2018 up to the date of this report.

## CORPORATE GOVERNANCE REPORT (continued)

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

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company for the year ended 31 March 2018 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.

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.

# CORPORATE GOVERNANCE REPORT (continued)

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

The Board is responsible for the establishment, maintenance and review of the risk management and internal controls. The Board should oversee risk management and internal control systems on an ongoing basis. 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 2018, the Board conducted a review of the effectiveness of the risk management and internal control system, which covered the financial, operational, compliance and risk management. The Board considered that the system of the Group to be adequate and effective for the year ended.

## PROCEDURES AND INTERNAL 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.

# CORPORATE GOVERNANCE REPORT (continued)

## 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.

## 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 2018 AGM of the Company will be held on Friday, 3 August 2018, 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](mailto: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 2018 (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 Rule.

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 protect 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 Green House Gas (“GHG”) emission from the Group is mainly from its purchased electricity consumed in daily office operations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The total GHG emissions and intensity generated by Hong Kong office are as follows:

		2018
Purchased Electricity	Total (kWh)	146,348
GHG emissions	Total (kg)	92,199
GHG emissions per employee	Total (kg/employee)	1,418

Notes:

1. The Group's core business is in Hong Kong. The number of employees working in Hong Kong office is 65 out of 84 in the whole group as at 31 March 2018.
2. The purchased electricity in other regions, including Singapore, China, Macau is insignificant.
3. GHG emissions data is presented in carbon dioxide equivalent and was based on the article "How to prepare an ESG Report?" downloaded in The Stock Exchange of Hong Kong Limited's website.

## ***Waste Management***

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## A2 Use of Resources

### *Energy Consumption*

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

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

During the year ended 31 March 2018, the total energy consumption by Hong Kong office and total energy consumption per Hong Kong employee in terms of electricity are as follows:

Energy Consumption	Total (kWh)	146,348
Energy consumption per employee	Total (kWh/employee)	2,252

Notes:

1. The Group's core business is in Hong Kong. The number of employees working in Hong Kong office is 65 out of 84 in the whole group as at 31 March 2018.
2. The purchased electricity in other regions, including Singapore, China, Macau is insignificant.

### *Water Consumption*

Water consumption is relatively low in the Group. Much of our water consumption is for basic cleaning and sanitation. The majority of the water supply facilities are provided on our rental premises, and the usage have been included in the management fees. Nonetheless, we emphasize water saving to our staff through staff education.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

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

## **B. SOCIAL**

### **Employment and Labour Practices**

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

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

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

#### ***B1.1 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## ***B1.2 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.

## ***B1.3 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 organized various events to enhance work-life balance and teamwork such as annual Christmas Party, Sports Day, Health Day, Hiking, Outings and Happy Hour etc.

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

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

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

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## **B4** *Labour Standards*

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

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

## **Operating Practices**

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

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

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

#### *Products and Services Responsibility*

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

#### *Customer Services*

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## *Intellectual Property ("IP") Rights*

The Group registered a number of trademarks in Hong Kong and branded its business by using "Edvance" as its brand name. It manages security of its assets such as financial information, IP, or employee details entrusted to the Group. For any infringement of its IP, the Group will urge infringers to cease such infringement. The human resources department of the Group will take further action if infringement continues.

To protect third party IP rights and comply with relevant licensing terms when software is used, employees are prohibited from duplicating, installing or using software in violation of its copyright or license terms as part of the Group's policy. Employees in violation of the policy will be subject to disciplinary action. The Group will also notify the manufacturers if any illegal or unauthorized use of their hardware and/or software is notices.

## *Data Privacy Policy*

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

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

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

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

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

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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## **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 Po Leung Kuk for the “Mini IT Game Workshop & Make-a-fish Artworks” programme, through donation and participation, to learn about the needs and wishes of underprivileged students and distributed the gifts to students during center visit;
- participated in the “Share The Joy of a Wish”, an annual charity sales counter organized by Make A Wish;
- made donations to Po Leung Kuk.

The Group has also been awarded the Caring Company Logo 2016-18, in recognition of our long-term contributions and commitment for the environment, our employees as well as the community.



# DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2018.

## 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 13 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 during the year.

## 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 four years ended 31 March 2015, 2016, 2017 and 2018, 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 DIVIDEND

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this annual report.

The Board has recommended a final dividend of HK\$0.01 per share amounting to a total sum of approximately HK\$10,000,000 subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Details of the dividend for FY2018 are set out in note 13 to the consolidated financial statements, the final dividend will be payable on or around 31 August 2018 to the Company's shareholders whose names appear on the register of the members of the Company on Tuesday, 14 August 2018.

### CLOSURE OF REGISTER OF MEMBERS

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the 2018 AGM. The record date for entitlement to the proposed final dividend is Tuesday, 14 August 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 10 August 2018 to Tuesday, 14 August 2018, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, for registration not later than 4:00 p.m. on Thursday, 9 August 2018. The payment of final dividend will be made on or about Friday, 31 August 2018.

### PROPERTY, PLANT AND EQUIPMENT

On 16 January 2018, the Company through its subsidiary entered into sale and purchase agreements to acquire two properties in Singapore at consideration of SG\$2,592,000.00 and SG\$2,548,800.00, respectively (equivalent to an aggregate amount of approximately HK\$30,433,536.00). As at 31 March 2018, the titles of the properties have not been transferred to the Group. Completion of such acquisition shall take place no later than 14 days after receiving the vendor's notice to complete, which shall be given no later than 30 June 2020 or three years after the date of delivery of vacant possession of the properties, whichever is the earlier. For details, please refer to the announcement of the Company dated 16 January 2018.

Details of movements in the property, plant 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 2018 are set out in the note 39 to the consolidated financial statements in this annual report.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "Articles") 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 40 to the consolidated financial statements and the consolidated statement of changes in equity of this annual report respectively.

# DIRECTORS' REPORT (continued)

## DISTRIBUTABLE RESERVES

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

As at 31 March 2018, the Company's reserves available for distribution to shareholders comprised of the share premium and retained profits with an aggregate amount approximately HK\$74,324,000 (2017: no reserve available for distribution to Shareholders.)

## REVIEW OF FINANCIAL INFORMATION

The AC comprises three independent non-executive Directors, namely, Mr. Ng Tsz Fung Jimmy (chairman of the Audit Committee), 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 2018.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2018, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 14.3% and 43.4% (2017: approximately 11.5% and 38.9%) of the Group's total revenue for the year, respectively.

During the year ended 31 March 2018, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 22.4% and 71.2% (2017: 16.1% and 52.9%) of the Group's total purchase for the year, respectively.

At no time during the year under review, none of the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors who owns more than 5% of the Company's issued share capital), has any interests in any of the above five largest customers and suppliers of the Group for the year.

## 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 2018 and up to the date of this annual report were:

### Executive Directors

Mr. Liu Yui Ting Raymond (*Chairman*)

Mr. Lee Francis Sung Kei (*Chief Executive Officer*)

Mr. Von John

Mr. Lam Tak Ling

### Non-executive Directors

Dr. Tang Sing Hing Kenny

Mr. Lo Wai Ho Ashley (re-designated from Executive Director to Non-executive Director on 1 January 2018)

### Independent non-executive Directors

Mr. Yu Kwok Chun Raymond

Mr. Ng Tsz Fung Jimmy

Mr. Chan Siu Ming Simon

Pursuant to Article 108 of the Articles, one-third of the Directors will retire by rotation at each annual general meeting of the Company. Under Article 108, Mr. Liu Yui Ting Raymond, Mr. Lee Francis Sung Kei and Mr. Von John will retire and be eligible to offer themselves for re-election at the 2018 AGM.

In addition, Mr. Lo Wai Ho Ashley who was re-designated as Non-executive Director on 1 January 2018, shall retire from office at the forthcoming general meeting pursuant to Articles 111 of the Articles. Being eligible, Mr. Lo Wai Ho Ashley will offer himself for re-election as a non-executive Director.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of all the Directors and senior management of the Company are set out on pages 14 to 20 of this annual report.

## INDEPENDENCE CONFIRMATION

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

# DIRECTORS' REPORT (continued)

## DIRECTORS' SERVICE CONTRACT

Each of the Directors has entered into a service contract with the Company for a term of three years which is subject to termination by either party giving not less than one month's written notice.

Each of the Non-executive Directors and the INEDs has entered into a letter of appointment with the Company, respectively. The non-executive Director's appointment an initial term of three (3) years, commencing from 21 November 2016, save for the appointment of Mr. Lo Wai Ho Ashley commencing from 1 January 2018, and each of the independent non-executive Director's appointment is for an initial term of three (3) years, commencing from the Listing Date, 19 April 2017, subject to retirement and re-election in accordance to the Articles and 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 2018 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## EMOLUMENT POLICY

The emoluments of the Directors 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.

Details of the emoluments of the Directors of the Group are set out in note 12 to the consolidated financial statements of this annual report.

The Group has adopted share option scheme as an incentive to eligible employees, details of the share option schemes of the Group are set out in note 36 to the consolidated financial statements of this annual report.

## MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended 31 March 2018.

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

Save as disclosed in the section headed "CONTINUING CONNECTED TRANSACTION – EXEMPTED" in page 51 of this annual report and note 31 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2018, the interests of the Directors in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to 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. Lo Wai Ho Ashley <sup>(2)</sup>	Interest of controlled corporation	570,000,000	57.00%
Dr. Tang Sing Hing Kenny <sup>(3)</sup>	Interest of controlled corporation	75,000,000	7.50%
Mr. Von John <sup>(4)</sup>	Interest of controlled corporation	60,000,000	6.00%
Mr. Lee Francis Sung Kei <sup>(5)</sup>	Interest of controlled corporation	22,500,000	2.25%
Mr. Lam Tak Ling <sup>(6)</sup>	Interest of controlled corporation	22,500,000	2.25%

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 31 March 2018, and the date of this report.
- (2) This represents the Shares held by 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 31 March 2018 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 2018 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 31 March 2018 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>(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 is 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. John Von, 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. John Von, director, and was therefore deemed to be interested in the Shares in which Mr. John Von, 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 31 March 2018, and the date of this report.

Save as disclosed above, as at 31 March 2018 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

The related party with Column Asia Limited for the year ended 31 March 2018 as set forth in Note 31 to the consolidated financial statements of this annual report constituted exempted continuing connected transaction of our Company under Rule 20.74(1) of the GEM Listing Rules. For details, please refer to the section headed “Continuing Connected Transaction” of the Prospectus.

# DIRECTORS' REPORT (continued)

## PERMITTED INDEMNITY PROVISION

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

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

## COMPETING INTEREST

During the year ended 31 March 2018, 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

The shareholders of the Company approved and adopted the Share Option Scheme by way of written resolutions on 23 March 2017. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years. Under the Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may select at its absolute discretion.

As at 31 March 2018, there were 15,210,000 Share Options to subscribe for 15,210,000 ordinary shares of HK\$0.01 each of the Company, representing 1.52% of the issued share capital of the Company, as at the date of this report granted by the Company under the Share Option Scheme which were valid and outstanding. The exercise price of the Share Options is HK\$0.65 per Share. None of the grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the GEM Listing Rules).

## DIRECTORS' REPORT (continued)

Details of the movements of Share Options granted, exercised or cancelled/lapsed during the Reporting Period and outstanding as at 31 March 2018 are as follows:

Grantee	Date of grant of Share Options	Exercise price of Share Options	Closing price immediately before date of grant	Exercise period (both dates inclusive)	As at 1 April 2017	Grant during the period	Exercise during the period	Cancelled/lapsed during the period	Outstanding at 31 March 2018
Employees	7 July 2017	0.65	0.67	7 July 2018 to 6 July 2023	–	7,200,000	–	(1,116,000)	6,084,000
	7 July 2017	0.65	0.67	7 July 2019 to 6 July 2024	–	5,400,000	–	(837,000)	4,563,000
	7 July 2017	0.65	0.67	7 July 2019 to 6 July 2025	–	5,400,000	–	(837,000)	4,563,000
Total employees					–	18,000,000	–	(2,790,000)	15,210,000

From 1 April 2018 and up to the date of this annual report, 840,000 share options lapsed. The major terms of the Scheme are set out in note 36 to the consolidated financial statements.

### 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.

### 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 2018 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 21 to 35 of this annual report.

# DIRECTORS' REPORT (continued)

## 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.

During the year ended 31 March 2018 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 2018 AGM will be held on Friday, 3 August 2018.

The register of members of the Company will be closed from Tuesday, 31 July 2018 to Friday, 3 August 2018, both dates inclusive, during which period no transfer of Shares will be registered, for ascertaining Shareholder's entitlement to attend the 2018 AGM to be held on Friday, 3 August 2018. In order to qualify for attending and voting at the 2018 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 not later than 4:00 p.m. on Monday, 30 July 2018.

## 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 Financial or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 March 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## 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.

## EVENT AFTER THE REPORTING PERIOD

On 16 January 2018, the Group entered into contracts to acquire properties for the Group's occupation located in Singapore. The purchases of the properties were completed on 18 June 2018.

Save as disclosed, there is no significant event after the reporting period of the Group.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been prepared by Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company, who will retire at the conclusion of the 2018 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 2018 AGM.

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

Hong Kong, 22 June 2018

# 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 61 to 129, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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.

# INDEPENDENT AUDITOR'S REPORT (continued)

## KEY AUDIT MATTERS (continued)

### 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 ageing 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 19 to the consolidated financial statements, the Group had inventories of HK\$9,390,000 as at 31 March 2018. During the year, the Group recognised allowance for inventories of HK\$496,000.

### How our audit addressed the key audit matter

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)

## KEY AUDIT MATTERS (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 17 to the consolidated financial statements, the carrying amount of trade receivables is HK\$78,527,000 at 31 March 2018. No allowance for bad and doubtful debt was recognised during the year.

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 of the Company 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# 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 Chau Chi Ka.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22 June 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	6	302,323	222,060
Cost of sales		(217,567)	(160,532)
Gross profit		84,756	61,528
Other income	7	849	627
Other gains and losses, net	8	816	58
Distribution and selling costs		(22,192)	(17,489)
Administrative expenses		(40,498)	(26,108)
Listing expenses		(178)	(16,791)
Finance costs	9	(506)	(1,240)
Profit before taxation		23,047	585
Taxation	10	(4,865)	(2,875)
Profit (loss) for the year	11	18,182	(2,290)
Other comprehensive income (expense) for the year:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		218	(583)
Total comprehensive income (expense) for the year		18,400	(2,873)
Profit (loss) for the year attributable to:			
– owners of the Company		18,182	(5,414)
– non-controlling interests		–	3,124
		18,182	(2,290)
Total comprehensive income (expense) for the year attributable to:			
– owners of the Company		18,400	(5,872)
– non-controlling interests		–	2,999
		18,400	(2,873)
Earnings (loss) per share (HK cents)	14		
– basic		1.84	(0.92)
– diluted		1.83	N/A

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Property and equipment	15	7,311	8,960
Deposits paid for acquisition of properties	16	28,744	–
Prepayment and deposits	17	36,403	27,155
Deferred tax assets	18	93	294
		<b>72,551</b>	36,409
<b>Current assets</b>			
Inventories	19	9,390	5,246
Trade and other receivables, prepayment and deposits	17	122,698	92,092
Tax recoverable		2,905	2,364
Bank balances and cash	20	62,391	18,499
		<b>197,384</b>	118,201
<b>Current liabilities</b>			
Trade and other payables and accruals	21	110,915	93,851
Bank borrowings	22	8,585	27,022
Obligations under finance leases	23	–	146
Provision	24	1,826	1,826
Derivative financial instruments	25	–	38
Tax liabilities		2,710	–
		<b>124,036</b>	122,883
Net current assets (liabilities)		<b>73,348</b>	(4,682)
Total assets less current liabilities		<b>145,899</b>	31,727

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Deferred revenue	21	31,196	22,532
Bank borrowings	22	12,723	–
		43,919	22,532
Net assets		101,980	9,195
Capital and reserves			
Share capital	26	10,000	–
Reserves		91,980	9,195
Total equity		101,980	9,195

The consolidated financial statements on pages 61 to 129 were approved and authorised for issue by the board of directors on 22 June 2018 and are signed on its behalf by:

**LIU Yui Ting Raymond**  
DIRECTOR

**VON John**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Other reserves	Share option reserve	Translation reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 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)
Transfer upon the completion of group reorganisation on 23 March 2017 (note 2(v))	(1)	-	6,280	-	-	-	6,279	(6,279)	-
Partial disposal of subsidiaries without losing control (note 32)	-	-	(1,349)	-	-	-	(1,349)	1,349	-
At 31 March 2017	-	-	3,633	-	(184)	5,746	9,195	-	9,195
Profit for the year	-	-	-	-	-	18,182	18,182	-	18,182
Other comprehensive income for the year	-	-	-	-	218	-	218	-	218
Total comprehensive income for the year	-	-	-	-	218	18,182	18,400	-	18,400
Issue of new shares of the Company (note 26)	2,500	77,500	-	-	-	-	80,000	-	80,000
Capitalisation issue (note 26)	7,500	(7,500)	-	-	-	-	-	-	-
Transaction costs directly attributable to issue of shares	-	(7,475)	-	-	-	-	(7,475)	-	(7,475)
Recognition of equity-settled share-based payments	-	-	-	1,860	-	-	1,860	-	1,860
At 31 March 2018	10,000	62,525	3,633	1,860	34	23,928	101,980	-	101,980

Note: Other reserves 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 2016; (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\$6,280,000, representing aggregate amount of share capital and non-controlling interests of Best Gear, to other reserves.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	23,047	585
Adjustments for:		
Finance costs	506	1,240
Allowance for bad and doubtful debts	–	252
Reversal of allowance for bad and doubtful debts	(131)	–
Fair value changes of derivative financial instruments	(38)	(265)
Interest income	(583)	(484)
Depreciation	3,750	1,267
Share-based payments	1,860	–
Allowance for inventories	496	–
(Gain) loss on disposal of property and equipment	(10)	344
Operating cash flows before movements in working capital	28,897	2,939
(Increase) decrease in inventories	(4,640)	5,810
Increase in trade and other receivables, prepayment and deposits	(39,234)	(38,152)
Increase in trade and other payables and accruals	28,874	34,353
Decrease in amounts due to related parties	–	(200)
Cash generated from operations	13,897	4,750
Income tax paid	(2,495)	(6,108)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>11,402</b>	<b>(1,358)</b>
<b>INVESTING ACTIVITIES</b>		
Bank interest received	116	11
Purchase of property and equipment	(5,290)	(5,908)
Proceed from disposal of property and equipment	31	–
Deposits paid for acquisition of property and equipment	(28,744)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(33,887)</b>	<b>(5,897)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(506)	(1,240)
Proceed from issue of shares	80,000	–
Transaction costs directly attributable to issue of shares	(7,475)	–
Bank borrowings raised	13,443	65,055
Repayment of bank borrowings	(19,157)	(46,154)
Advance from directors	–	(3,480)
Advance from a related party	–	6,000
Repayment to directors	–	(6,000)
Repayment of obligations under finance leases	(146)	(339)
NET CASH FROM FINANCING ACTIVITIES	<b>66,159</b>	13,842
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>43,674</b>	6,587
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<b>18,499</b>	12,494
Effect of exchange rate changes	<b>218</b>	(582)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	<b>62,391</b>	18,499

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2018*

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2017. 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 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 39.

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 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 were considered as non-controlling shareholders of the Company's subsidiaries.

In preparation of the listing of the Company's shares on 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 Green Radar (Hong Kong) Limited (previously named as 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 2018*

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF 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 the year ended 31 March 2017 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 2018*

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF 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 Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 ended 31 March 2017 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 the year ended 31 March 2017, or since their respective date of incorporation, where there is a shorter period.

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

### **Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

### ***Amendments to HKAS 7 Disclosure Initiative***

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items is provided in note 35. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 35, the application of these amendments has had no impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

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

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

The Group has not early applied the following 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>
HKFRS 17	Insurance Contracts <sup>4</sup>
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC) – Int") – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</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 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

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

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

#### *HKFRS 9 Financial Instruments*

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

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and
- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

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

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

#### *HKFRS 9 Financial Instruments (continued)*

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

#### *Classification and measurement:*

- All financial assets except for the deposits for insurance contracts are held with a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, except for the financial assets that are subject to expected credit loss measurement, the financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.
- Deposits for insurance contracts as disclosed in note 17 will be classified as financial assets at fair value through profit or loss as contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. Upon initial application of HKFRS 9, the directors of the Company do not anticipate a fair value gain or loss relating to the payment for a life insurance policy would be adjusted to the accumulated profits as at 1 April 2018 as they considered the carrying amount of the deposits for insurance contracts at 31 March 2018 approximate to its fair value upon initial application of HKFRS 9.

#### *Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and contract assets under HKFRS 15 "Revenue from contracts with customers" that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits at 1 April 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

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

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

#### *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 was issued which 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 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, the standard 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

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 may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

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

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

#### *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 lessee accounting, and is replaced by a 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 as operating cash flows. Upon application of 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 by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. 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.

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 2018, the Group has non-cancellable operating lease commitments of HK\$6,282,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

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

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

#### *HKFRS 16 Leases (continued)*

In addition, the Group currently considers refundable rental deposits paid of HK\$1,484,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for above, the directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the amounts recognised in the Group’s future consolidated financial statements.

## 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 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 investments that are measured at fair value at the end of the reporting period, as explained in the 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 share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, 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”.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 2018*

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 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 relevant 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impairment on assets other than financial assets (continued)**

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. 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.

### **Equity-settled share-based payment transactions**

#### *Share options granted to employees*

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

The fair value of the equity-settled share-based payments determined at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 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, deposits 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 of 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 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial assets (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

#### *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 and bank borrowings) 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 2018*

## 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 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.

Allowance for inventories of HK\$496,000 (2017: nil) was recognised for the year end 31 March 2018. The carrying amounts of inventories are HK\$9,390,000 (2017: HK\$5,246,000) as at 31 March 2018.

### **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.

Reversal of allowance for bad and doubtful debts of HK\$131,000 were credited to profit or loss for the year ended 31 March 2018 and allowance for bad and doubtful debts of HK\$252,000 was charged to profit or loss for the year ended 31 March 2017. As at 31 March 2018, the carrying amounts of trade receivables are HK\$78,527,000 (2017: HK\$60,791,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 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 maker ("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 2018

## 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 2018</b>			
Segment revenue	182,224	120,099	302,323
Segment results	39,382	45,374	84,756
Other income			849
Other gains and losses, net			816
Distribution and selling costs			(22,192)
Administrative expenses			(40,498)
Listing expenses			(178)
Finance costs			(506)
Profit before taxation			23,047

	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 costs			(17,489)
Administrative expenses			(26,108)
Listing expenses			(16,791)
Finance costs			(1,240)
Profit before taxation			585

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 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, selling and distribution costs, administrative expenses, listing expenses, finance costs and taxation.

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

### Geographical information

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong	236,783	186,480
Macau (note)	22,114	6,515
Mongolian People's Republic (note)	5,898	2,316
The PRC (excluding Hong Kong and Macau)	21,000	17,934
Singapore	16,528	8,815
	<b>302,323</b>	222,060

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:

	2018 HK\$'000	2017 HK\$'000
Hong Kong	28,689	22,963
The PRC (excluding Hong Kong and Macau)	210	10
Macau	2,034	315
Singapore	29,019	522
	<b>59,952</b>	23,810

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 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:

	2018 HK\$'000	2017 HK\$'000
Customer A <sup>1</sup>	43,420	25,620
Customer B <sup>1</sup>	34,966	— note

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

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

## 7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Bank interest income	116	11
Interest income from deposits for life insurance contracts	467	473
Others	266	143
	<b>849</b>	627

## 8. OTHER GAINS AND LOSSES, NET

	2018 HK\$'000	2017 HK\$'000
Reversal of allowance for bad and doubtful debts	131	—
Allowance for bad and doubtful debts	—	(252)
Fair value changes of derivative financial instruments	38	265
Net foreign exchange gains	637	389
Gain (loss) on disposal of property and equipment	10	(344)
	<b>816</b>	58

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 9. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	503	1,112
Interest on obligations under finance leases	3	13
Interest on loan from a related party (note)	–	115
	<b>506</b>	1,240

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

## 10. TAXATION

	2018 HK\$'000	2017 HK\$'000
Current tax:		
– Hong Kong Profits Tax	3,814	2,875
– PRC Enterprise Income Tax (“EIT”)	401	–
– Macau Complementary Tax	576	–
	<b>4,791</b>	2,875
Overprovision in respect of prior year:		
– Hong Kong Profits Tax	(127)	–
Deferred tax charged (note 18)	201	–
	<b>4,865</b>	2,875

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 2018. No PRC EIT was made in the year ended 31 March 2017 as the subsidiary in the PRC incurred a tax loss.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year ended 31 March 2018. No provision of Macau Complementary Tax was made as the subsidiary in Macau incurred a tax loss in the year ended 31 March 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 10. TAXATION (continued)

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 and the assessable profits were absorbed by the tax losses brought forward for the year ended 31 March 2018.

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:

	2018 HK\$'000	2017 HK\$'000
Profit before taxation	23,047	585
Taxation at Hong Kong Profits Tax rate of 16.5%	3,803	97
Tax effect of income not taxable for tax purposes	(122)	(168)
Tax effect of expenses not deductible for tax purposes	723	2,869
Utilisation of tax losses previously not recognised	(105)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(42)	–
Tax effect of tax losses not recognised	463	77
Overprovision in prior year	(127)	–
Others	272	–
Taxation for the year	4,865	2,875

At 31 March 2018, the Group had estimated unused tax losses of approximately HK\$4,819,000 (2017: HK\$3,838,000) to offset against future profits. A deferred tax asset has been recognised in respect of estimated tax losses of HK\$564,000 (2017: HK\$1,782,000) as at 31 March 2018. 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 2018*

## 11. PROFIT (LOSS) FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit (loss) for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration (note 12)	9,475	7,699
Other staff costs	38,562	30,762
Share-based payments	1,860	–
Contributions to retirement benefit schemes	1,617	1,261
	<b>51,514</b>	39,722
Auditor's remuneration	1,200	1,000
Cost of inventories recognised as an expense (including the allowance for inventories of HK\$496,000 (2017: nil))	142,842	99,506
Depreciation of property and equipment	3,750	1,267
Minimum lease payments in respect of office premises	6,457	5,003

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 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 2018					
<b>Executive directors</b>					
Mr. Raymond Liu (note ii)	–	1,733	667	78	2,478
Mr. Francis Lee (note ii)	–	1,237	383	77	1,697
Mr. TL Lam (note ii)	–	1,155	645	48	1,848
Mr. Von John (note ii)	–	1,039	311	18	1,368
<b>Non-executive directors</b>					
Dr. Tang Sing Hing Kenny (note iii)	240	–	–	–	240
Mr. Ashley Lo (note ii and v)	90	693	500	48	1,331
<b>Independent non-executive directors</b>					
Mr. Yu Kwok Chun Raymond (note iv)	171	–	–	–	171
Mr. Ng Tsz Fung Jimmy (note iv)	171	–	–	–	171
Mr. Chan Siu Ming Simon (note iv)	171	–	–	–	171
	<b>843</b>	<b>5,857</b>	<b>2,506</b>	<b>269</b>	<b>9,475</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 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 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</b>					
Mr. Yu Kwok Chun Raymond (note iv)	–	–	–	–	–
Mr. Ng Tsz Fung Jimmy (note iv)	–	–	–	–	–
Mr. Chan Siu Ming Simon (note iv)	–	–	–	–	–
	87	5,537	1,800	275	7,699

#### Notes:

- (i) Performance related bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (ii) 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.
- (v) Mr. Ashley Lo has been re-designated as a non-executive director of the Company with effect from 1 January 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

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

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

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.

### Employees' emoluments

The five highest paid individuals of the Group include three (2017: four) directors of the Company for the year ended 31 March 2018, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2017: one) individuals for the year ended 31 March 2018, are as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Salaries and other benefits	<b>1,881</b>	865
Performance related bonuses	<b>938</b>	206
Contributions to retirement benefit schemes	<b>187</b>	110
	<b>3,006</b>	1,181

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

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

### Employees' emoluments (continued)

The number of five highest paid employees (including directors) of the Company whose remuneration fell within the following bands is as follows:

	2018 No. of employees	2017 No. of employees
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	1	1
	5	5

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. DIVIDEND

A final dividend of HK\$0.01 per share of the Company in respect of the year ended 31 March 2018 has been proposed by the directors of the Company, which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

No dividend was paid or declared by the Company for the year ended 31 March 2017 and the directors of the Company did not recommend the payment of a final dividend of the year ended 31 March 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 14. EARNINGS (LOSS) PER SHARE

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	<b>18,182</b>	(5,414)

	<b>2018</b> <b>Number</b> <b>of shares</b> <b>'000</b>	2017 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<b>987,671</b>	588,247
Add: Effect of dilutive potential ordinary shares under share option scheme	<b>4,161</b>	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>991,832</b>	N/A

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue as disclosed in note 2 has been effective on 1 April 2016.

No diluted loss per share information has been presented for the year ended 31 March 2017 as there were no potential ordinary shares outstanding during that year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 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 2016	1,462	974	2,345	4,781
Additions	6,856	2,220	–	9,076
Disposal	(1,449)	(544)	–	(1,993)
Exchange realignment	–	(8)	–	(8)
At 31 March 2017	6,869	2,642	2,345	11,856
Additions	663	890	569	2,122
Disposal	–	(25)	(383)	(408)
Exchange realignment	–	6	–	6
At 31 March 2018	7,532	3,513	2,531	13,576
<b>ACCUMULATED DEPRECIATION</b>				
At 1 April 2016	878	785	1,622	3,285
Provided for the year	625	179	463	1,267
Eliminated on disposal	(1,115)	(534)	–	(1,649)
Exchange realignment	–	(7)	–	(7)
At 31 March 2017	388	423	2,085	2,896
Provided for the year	2,564	847	339	3,750
Eliminated on disposal	–	(4)	(383)	(387)
Exchange realignment	–	6	–	6
At 31 March 2018	2,952	1,272	2,041	6,265
<b>CARRYING VALUES</b>				
At 31 March 2018	4,580	2,241	490	7,311
At 31 March 2017	6,481	2,219	260	8,960

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 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 %
Motor vehicles	33 %

The carrying value of motor vehicles held under finance lease was HK\$260,000 as at 31 March 2017. During the year ended 31 March 2018, the finance lease was fully settled.

## 16. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

On 16 January 2018, the Group has entered into contracts to acquire properties for the Group's occupation located in Singapore. As at 31 March 2018, the titles of the properties have not been transferred to the Group and the consideration paid to the vendors of the properties are classified as deposits paid for acquisition of properties.

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

	2018 HK\$'000	2017 HK\$'000
<b>Current</b>		
Trade receivables	78,527	60,971
Prepayment to suppliers for maintenance and support services (note (ii))	39,156	25,152
Deferred listing expenses	–	5,000
Other tax receivables	3,070	–
Prepayment and others	1,945	969
	<b>122,698</b>	92,092
<b>Non-current</b>		
Rental deposits	1,484	1,348
Deposits for life insurance contracts (note (i))	12,506	12,185
Prepayment of life insurance charged (note (i))	537	578
Prepayment to suppliers for maintenance and support services (note (ii))	21,876	13,044
	<b>36,403</b>	27,155
<b>Total trade and other receivables, prepayment and deposits</b>	<b>159,101</b>	119,247

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

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

Notes:

- (i) In previous year, the Group entered into life insurance contracts with a bank to insure certain directors of the subsidiaries of the Company and certain staff. Under these policies, the beneficiary and policy holder is Edvance Technology (HK) and the total insured sum of approximately United States Dollar (“US\$”) 6,000,000 (equivalent to approximately HK\$46,500,000) and paid gross payments of approximately US\$1,538,000 (equivalent to approximately HK\$11,920,000), including premium charges at inception of the policies amounting to approximately US\$90,000 (equivalent to approximately HK\$715,000). Edvance Technology (HK) may request a partial surrender or full surrender of all these insurance contracts at any time and receive cash back based on the account value of these policies (“Account Value”) at the date of withdrawal, which is determined by the gross payments paid plus accumulated interest earned and minus any previously paid partial surrender and other relevant deductions. In addition, if withdrawal is made between the 1st to 15th or 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 68.4% (2017: 73.6%) of trade receivables as at 31 March 2018, 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 2018

## 17. 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:

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	44,112	37,997
31 to 60 days	19,710	17,345
61 to 90 days	7,900	3,003
91 to 120 days	3,007	1,585
121 to 365 days	3,798	1,041
	<b>78,527</b>	60,971

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, past collection history of each customer and/or the age and subsequent settlement of individual balance.

During the year ended 31 March 2018, the Group has reversed allowance for bad and doubtful debts of HK\$131,000 as a result of the repayment of the receivables by the customers. The Group has recognised an allowance of bad and doubtful debt of HK\$252,000 during the year ended 31 March 2017, as the directors of the Company consider that credit quality of these debtors are in doubt. The reversal of allowance for bad and doubtful debts and allowance of bad and doubtful debts have 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 uncollectible.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

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

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

	2018 HK\$'000	2017 HK\$'000
At the beginning of the reporting period	131	–
Reversal recognised	(131)	–
Allowance recognised on receivables	–	252
Amounts written off as uncollectible	–	(121)
At the end of the reporting period	–	131

As at 31 March 2018, aggregate carrying amounts of HK\$24,817,000 (2017: HK\$16,090,000), 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 41.0 days (2017: 40.1 days) as at 31 March 2018.

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

	2018 HK\$'000	2017 HK\$'000
Overdue 0 to 30 days	13,834	11,618
Overdue 31 to 60 days	5,268	3,029
Overdue 61 to 90 days	2,842	400
Overdue 91 to 120 days	1,973	225
Overdue 121 to 180 days	792	228
Overdue over 180 days	108	590
	<b>24,817</b>	16,090

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 allowance is required.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 18. DEFERRED TAX ASSETS

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

	HK\$'000
At 1 April 2016 and 31 March 2017	294
Charged to profit or loss	(201)
At 31 March 2018	93

## 19. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods, at cost	9,390	5,246

## 20. BANK BALANCES AND CASH

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 21. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2018 HK\$'000	2017 HK\$'000
Trade payables	33,691	28,035
Other accrued expense	4,238	2,133
Accrued staff costs	6,015	3,337
Accrued listing expense	–	8,953
Payable for purchase of property and equipment	–	3,168
Deferred revenue (note)	96,317	69,158
Others	1,850	1,599
	<b>142,111</b>	116,383
Analysed as:		
Current	110,915	93,851
Non-current	31,196	22,532
	<b>142,111</b>	116,383

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

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

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	25,897	15,002
31 to 60 days	2,602	6,089
61 to 90 days	–	346
91 to 120 days	–	937
121 to 365 days	207	–
Over 365 days	4,985	5,661
	<b>33,691</b>	28,035

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 22. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Secured and guaranteed bank borrowings	21,308	27,022
Carrying amount payable:		
Within one year	5,164	21,419
More than one year but not more than two years	1,727	2,197
More than two years but not more than five years	4,382	3,309
More than five years	10,035	97
	21,308	27,022
Less: Amounts due within one year or contain a repayment on demand clause	(8,585)	(27,022)
Repayable more than one year	12,723	–

During the year ended 31 March 2018, the Group has drawn down a bank borrowing of SG\$2,262,000 (approximately HK\$13,443,000) for purchase of properties located in Singapore as set out in note 16. The loan carries interest of prevailing Enterprise Finance Rate ("EFR") minus a spread. The effective interest rate on this bank borrowing was 5.7% per annum (2017: nil) as at 31 March 2018. The borrowing is repayable in 240 monthly instalments. The bank borrowing is secured by the deed of assignment of all rights relating to the properties as disclosed in note 16 together with mortgage-in-escrow to be perfected as first legal mortgage of the properties as disclosed in note 16 and the corporate guarantees provided by the Group.

The remaining bank borrowings are at floating rate which carry interest at HK\$/US\$ Best Lending Rate ("BLR") or Hong Kong Interbank Offered Rate ("HIBOR") minus a spread. The effective interest rate on the Group's bank borrowings was 5.0% to 5.5% per annum (2017: 3.75% to 5.5%) as at 31 March 2018. These bank borrowings are repayable on demand or repayable within one year and hence classified as current liabilities and are denominated in HK\$ and US\$.

These bank borrowings were also secured by the life insurance contracts as set out in note 17 as at 31 March 2018 and 2017. These bank borrowings are also guaranteed by Mr. Raymond Liu and Mr. Ashley Lo as at 31 March 2017, but the guarantees are released and replaced by the corporate guarantee provided by the Company upon listing of the shares of the Company on the Stock Exchange during the year ended 31 March 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 23. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases with terms ranged from 2 to 5 years at 31 March 2017. The effective interest rates were 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Amounts payable under finance leases:				
Within one year	–	149	–	146
Less: Future finance charges	–	(3)	–	–
Present value of lease obligations	–	146	–	146
Less: Amount due for settlement within one year			–	(146)
Amount due for settlement after one year			–	–

At 31 March 2017, the Group's obligations under the finance leases are secured by the lessor's charge over the leased motor vehicles.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 24. PROVISION

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 years ended 31 March 2018 and 2017 and no further provision was made.

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

In previous years, 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 31 March 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 26. SHARE CAPITAL

The share capital as at 1 April 2016 represented the share capital of Best Gear and the share capital as at 31 March 2018 and 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) (note i)	10,000,000	100
Increase in authorised share capital (note ii)	1,990,000,000	19,900
At 31 March 2017 and 31 March 2018	2,000,000,000	20,000
Issued and fully paid:		
At 7 July 2016 (date of incorporation)	1	–
Issue of shares (note iii)	99	–
At 31 March 2017	100	–
Capitalisation issue (note iv)	749,999,900	7,500
Issue of shares (note v)	250,000,000	2,500
At 31 March 2018	1,000,000,000	10,000

Notes:

- (i) 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.
- (ii) 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.
- (iii) On 23 March 2017, to effect the Reorganisation, 99 shares of the Company were allotted and issued.
- (iv) On 19 April 2017, 749,999,900 shares of the Company were issued to the then shareholders of the Company through capitalisation of HK\$7,499,999 standing to the credit of share premium account of the Company.
- (v) The shares of the Company have been listed on the Stock Exchange on 19 April 2017. 250,000,000 shares of HK\$0.01 each of the Company were issued at an offer price of HK\$0.32 per share.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## **27. 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 2018 and 2017, 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.

## **28. 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, 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 2018*

## 29. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	153,851	91,852
<b>Financial liabilities</b>		
Amortised cost	67,102	74,247
Derivative financial instruments	–	38

### 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 and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

#### *Market risk*

##### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate obligations under finance lease (note 23) as at 31 March 2017. 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 20, 17 and 22, respectively) as at 31 March 2018 and 2017. Bank borrowings are concentrated on fluctuation on the bank's HK\$/US\$ BLR, HIBOR and EFR.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

##### Interest rate risk (continued)

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank borrowings. The analysis is prepared assuming bank borrowings outstanding at the end of 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 a decrease in post-tax profit (2017: increase in post-tax loss) 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.

	2018 HK\$'000	2017 HK\$'000
Decrease in post-tax profit (2017: increase in post-tax loss) for the year	88	113

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 2018 and 2017. Accordingly, no sensitivity analysis on interest rate risk is presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

##### Currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Certain monetary assets and monetary liabilities of the Group are denominated in foreign currencies. The carrying amounts of such monetary assets and monetary liabilities recognised are as follows:

	Denominated in Renminbi ("RMB") HK\$'000	Denominated in US\$ HK\$'000	Denominated in SG\$ HK\$'000
As at 31 March 2018			
Trade and other receivables	–	1,168	469
Deposits for life insurance contracts	–	12,506	–
Bank balances and cash	7,159	5,911	7,156
Trade and other payables	–	(30,169)	–
Bank borrowings	–	(4,437)	(13,395)

	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)	–

The Group has a foreign exchange forward contract as at 31 March 2017 as set out in note 25 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

##### Currency risk (continued)

##### 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\$ and RMB is considered. The following table details the Group's sensitivity to a 5% increase and decrease in SG\$ and RMB 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\$ and RMB denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit-tax profit (2017: a decrease in profit-tax loss) for the year where SG\$ and RMB strengthens 5% against HK\$. For a 5% weakening of SG\$ and RMB against HK\$, there would be an equal and opposite impact on the result, and the balances below would be negative.

	2018 HK\$'000	2017 HK\$'000
(Decrease) increase in post-tax profit (2017: decrease in post-tax loss) for the year:		
– SG\$	(241)	68
– RMB	268	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### *Credit risk*

As at 31 March 2018 and 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.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

##### Liquidity tables

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31 March 2018 HK\$'000
As at 31 March 2018									
Trade and other payables and accruals	N/A	-	45,794	-	-	-	-	45,794	45,794
Bank borrowings – variable-rate	5.54%	7,913	279	842	1,320	5,961	18,800	35,115	21,308
Provision	N/A	1,826	-	-	-	-	-	1,826	1,826
		9,739	46,073	842	1,320	5,961	18,800	82,735	68,928

	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
Provision	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 2018*

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

##### Liquidity tables (continued)

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 2018 and 2017, 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 2018, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$7,913,000 (2017: HK\$27,022,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Group will be repaid after the end of each reporting period in accordance with the scheduled repayment dates as set out in the loan agreement.

For the purpose of managing liquidity risk, the directors of the Company review the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate	Less than 3 months 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 2017 HK\$'000
Bank borrowings:								
As at 31 March 2018	5.22%	633	1,267	2,836	1,183	2,481	8,400	7,913
As at 31 March 2017	5.10%	18,279	3,575	2,376	3,548	116	27,894	27,022

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

##### Liquidity tables (continued)

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. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 29. 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	2018 HK\$'000	2017 HK\$'000	Fair value hierarchy	Valuation technique	Key inputs
Derivative financial instruments	–	38	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 consolidated statement of financial position approximate their fair values.

## 30. OPERATING LEASE COMMITMENTS

As at 31 March 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	4,741	5,476
After one year but within five years	1,541	6,225
	6,282	11,701

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 31. RELATED PARTY TRANSACTIONS

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

	2018 HK\$'000	2017 HK\$'000
Interest paid to Success Vision	–	115
Services fees paid/payable to Columns Asia Limited (“Columns Asia”) (note)	452	215

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

### Compensation of key management personnel

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

	2018 HK\$'000	2017 HK\$'000
Short-term benefits	10,977	11,039
Post-employment benefits	363	489
	<b>11,340</b>	<b>11,528</b>

## 32. 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 allocated to non-controlling interests		Accumulated non-controlling interests	
	2018	2017	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Best Gear	–	–	–	3,124	–	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

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

On 24 June 2016, Mr. Ashley Lo disposed 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. John Von, 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 for the period from 1 April 2016 to 23 March 2017 in respect of Best Gear is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

	HK\$'000
Revenue	222,060
Other income and other gains and losses, net	685
Expenses	(205,253)
Taxation	(2,875)
Profit for the year	14,617
Other comprehensive income for the year	(583)
Total comprehensive income for the year	14,034
Profit for the year attributable to:	
– owners of Best Gear	11,493
– non-controlling interests of Best Gear	3,124
	14,617
Total comprehensive income for the year attributable to:	
– owners of Best Gear	11,035
– non-controlling interests of Best Gear	2,999
	14,034
Net cash inflow from operating activities	1,809
Net cash outflow from investing activities	(9,605)
Net cash inflow from financing activities	13,842
Net cash inflow	6,046

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

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

The Group has International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) with a bank as at 31 March 2017. The following recognised financial asset and financial liabilities are not offset in the consolidated statement of financial position as at 31 March 2017 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 consolidated statement of financial position HK\$'000	Related amount not set off in consolidated 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	–

## 34. CAPITAL COMMITMENT

At 31 March 2018, the Group has capital commitments of HK\$1,592,000 (2017: HK\$216,000) in respect of the property and equipment contracted but not provided for.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Accrued listing expenses</b> HK\$'000	<b>Bank borrowings</b> HK\$'000	<b>Obligations under finance leases</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2017	7,475	27,022	146	34,643
Financing cash flows (note)	(7,475)	(6,217)	(149)	(13,841)
Finance costs recognised	–	503	3	506
At 31 March 2018	–	21,308	–	21,308

Note: The financing cash flows represented finance costs, payments of listing expenses, repayments to bank borrowings and obligations under finance leases.

## 36. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed by the shareholders of the Company on 23 March 2017. The purpose of the Share Option Scheme is to provide incentives and to recognise and acknowledge the contributions which the participants have made or may make to the Group.

The Share Option Scheme will expire on the 10th anniversary since the date of adoption. Under Share Option Scheme, the directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any company in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) any director, employee, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which the Company or any subsidiary holds any interest ("Invested Entity");

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 36. SHARE OPTION SCHEME (continued)

- (ii) any discretionary trust the discretionary objects of which include any director, employee, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or any Invested Entity; and
- (iii) any corporation wholly-owned by any person mentioned in clause (i) above.

The total number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the Share Option Scheme without prior approval by the shareholders of the Company.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total issued share capital of the Company, without prior approval by the shareholders of the Company.

Options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the independent non-executive directors (excluding any independent non-executive directors who is a grantee of the options).

Options granted to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, under the Share Option Scheme and any other share option schemes of the Company would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period in aggregate in excess of 0.1% of the Company's issued share capital and with an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million must obtain prior approval from the shareholders of the Company.

Options granted must be taken up within 21 days of the date of grant upon payment of HK\$1 per each grant of options. The exercise period of the options granted under the Share Option Scheme shall be determined by the directors of the Company when such options are granted, provided that such period shall not end later than 10 years from the date of grant.

The subscription price is determined by the directors of the Company and will not be lower than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a Company's share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 36. SHARE OPTION SCHEME (continued)

At 31 March 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 15,210,000 (2017: nil) representing 1.5% (2017: nil) of the shares of the Company in issue at that date.

The following table details and movements of the Company's share options granted under the Share Option Scheme held by employees during the year ended 31 March 2018:

Grantees	Date of grant	Exercise price (note i) HK\$	Exercisable period (note ii)	As at	Granted during the year	Forfeited during the year (note iii)	As at	Exercisable at
				1 April 2016 and 31 March 2017			31 March 2018	31 March 2018
Employees of the Group	7 July 2017	0.65	7 July 2018 to 6 July 2025	-	18,000,000	(2,790,000)	15,210,000	-

Notes:

- (i) The closing price per share immediately before 7 July 2017 (the date on which the share options were granted) was HK\$0.63.
- (ii) Share options granted under the Share Option Scheme on 7 July 2017 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of share options to vest
First anniversary of the date of grant	40% of the total number of share options granted
Second anniversary of the date of grant	30% of the total number of share options granted
Third anniversary of the date of grant	30% of the total number of share options granted

The share options are valid for a period of five years commencing from the Vesting Date.

- (iii) The share options were forfeited due to resignation of employees during the year.

The estimated fair value of the share options granted on 7 July 2017 is HK\$4,790,000. The fair value of the share options was determined using binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioral considerations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 36. SHARE OPTION SCHEME (continued)

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The inputs into the model were as follows:

	40% of the total number of options granted	30% of the total number of options granted	30% of the total number of options granted
Grant date stock price	HK\$0.63 per share	HK\$0.63 per share	HK\$0.63 per share
Exercise price	HK\$0.65 per share	HK\$0.65 per share	HK\$0.65 per share
Option life	6 years	7 years	8 years
Risk-free rate (note a)	1.30%	1.38%	1.44%
Volatility (note b)	45.33%	45.21%	45.58%
Dividend yield (note c)	0.00%	0.00%	0.00%

Notes:

- (a) The rate was determined with reference to the yields of Hong Kong government bonds and treasury bills.
- (b) Based on the historical price volatility of selected comparable companies with similar business nature of the Group.
- (c) Estimated by reference to the historical dividend payout of the Company.

Fair value of share options determined at the date of grant is expensed over the vesting period. During the year ended 31 March 2018, the Group recognised the total expense of HK\$1,860,000 (2017: nil) in relation to share options granted by the Company with a corresponding adjustment recognised in the Group's share option reserve.

## 37. PLEDGE OF ASSETS

Save as disclosed elsewhere in the consolidated financial statements, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Property and equipment	–	260
Deposits for life insurance contracts	12,506	12,185
	12,506	12,445

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

## 38. EVENTS AFTER REPORTING PERIOD

On 18 June 2018, the acquisitions of the properties as set out in note 16 were completed.

## 39. 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
			2018	2017	
Best Gear	BVI	US\$100	100%	100%	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 (i)) 安領科技(深圳)有限公司	The PRC	RMB2,000,000	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
Edvance Investment Limited (note (ii))	BVI	US\$1	100%	–	Investment holding
Edvance Property Singapore Investment (Singapore) Pte. Ltd (note (ii))	Singapore	SG\$1	100%	–	Investment holding

Notes:

- (i) Edvance Technology (China) Limited was established in the PRC in the form of wholly foreign-owned enterprise.
- (ii) These subsidiaries are newly set-up during the year ended 31 March 2018.

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 2018

## 40. 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:

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Investments in subsidiaries	1	1
Amounts due from subsidiaries	42,862	–
	<b>42,863</b>	1
Current assets		
Amount due from a subsidiary	33,400	–
Other receivables	282	5,000
Bank balances and cash	11,986	–
	<b>45,668</b>	5,000
Current liabilities		
Other payables	2,347	8,953
Amount due to a subsidiary	–	12,955
	<b>2,347</b>	21,908
Net current assets (liabilities)	<b>43,321</b>	(16,908)
Total assets less current liabilities	<b>86,184</b>	(16,907)
Capital and reserve		
Share capital (note 26)	10,000	–
Reserves	76,184	(16,907)
Total equity	<b>86,184</b>	(16,907)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2018*

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

### Reserves of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 7 July 2016 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(16,907)	(16,907)
At 31 March 2017	–	–	(16,907)	(16,907)
Profit and total comprehensive income for the year	–	–	28,706	28,706
Issue of new shares of the Company (note 26)	77,500	–	–	77,500
Capitalisation issue (note 26)	(7,500)	–	–	(7,500)
Transaction costs directly attributable to issue of shares	(7,475)	–	–	(7,475)
Recognition of equity settled share-based payments	–	1,860	–	1,860
At 31 March 2018	62,525	1,860	11,799	76,184

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in the FY2018 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
"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