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edvance

EDVANCE INTERNATIONAL HOLDINGS LIMITED

安領國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8410)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

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

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

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

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (the “**Group**”) recorded revenue and gross profit of approximately HK\$302.3 million and HK\$84.8 million for the year ended 31 March 2018, representing an increase of approximately 36.1% and 37.9% respectively when compared with revenue and gross profit of approximately HK\$222.1 million and HK\$61.5 million for the year ended 31 March 2017.

The net profit after tax of the Group for the year ended 31 March 2018 increased to approximately HK\$18.2 million (Loss for the year ended 31 March 2017: HK\$2.3 million). It was mainly due to the combined effect of increase in gross profit, increase in administrative expenses and decrease in listing expenses during the year ended 31 March 2018.

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 (year ended 31 March 2017: Nil).

ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company, is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**” or “**our**”) for the year ended 31 March 2018 (“**FY2018**”), together with comparative audited figures for the preceding financial year ended 31 March 2017 (“**FY2017**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	4	302,323	222,060
Cost of sales		(217,567)	(160,532)
Gross profit		84,756	61,528
Other income		849	627
Other gains and losses, net		816	58
Distribution and selling costs		(22,192)	(17,489)
Administrative expenses		(40,498)	(26,108)
Listing expenses		(178)	(16,791)
Finance costs		(506)	(1,240)
Profit before taxation		23,047	585
Taxation	5	(4,865)	(2,875)
Profit (loss) for the year	6	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)

	<i>NOTE</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Total comprehensive income (expense) for the year attributable to:			
– owners of the Company		18,400	(5,872)
– non-controlling interests		<u>–</u>	<u>2,999</u>
		<u>18,400</u>	<u>(2,873)</u>
Earnings (loss) per share (<i>HK cents</i>)	7		
– basic		<u>1.84</u>	<u>(0.92)</u>
– diluted		<u>1.83</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property and equipment		7,311	8,960
Deposits paid for acquisition of properties		28,744	–
Prepayment and deposits	8	36,403	27,155
Deferred tax assets		93	294
		<u>72,551</u>	<u>36,409</u>
Current assets			
Inventories		9,390	5,246
Trade and other receivables, prepayment and deposits	8	122,698	92,092
Tax recoverable		2,905	2,364
Bank balances and cash		62,391	18,499
		<u>197,384</u>	<u>118,201</u>
Current liabilities			
Trade and other payables and accruals	9	110,915	93,851
Bank borrowings		8,585	27,022
Obligations under finance leases		–	146
Provision		1,826	1,826
Derivative financial instruments		–	38
Tax liabilities		2,710	–
		<u>124,036</u>	<u>122,883</u>
Net current assets (liabilities)		<u>73,348</u>	<u>(4,682)</u>
Total assets less current liabilities		<u>145,899</u>	<u>31,727</u>
Non-current liabilities			
Deferred revenue	9	31,196	22,532
Bank borrowings		12,723	–
		<u>43,919</u>	<u>22,532</u>
Net assets		<u>101,980</u>	<u>9,195</u>
Capital and reserves			
Share capital	10	10,000	–
Reserves		91,980	9,195
Total equity		<u>101,980</u>	<u>9,195</u>

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 on 19 April 2017.

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

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

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

Before the reorganisation (“**Reorganisation**”), Best Gear Group Limited (“**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 the GEM of the Stock Exchange (the “**Listing**”), the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 31 March 2016, Edvance Holdings Limited (“**Edvance Holdings**”) acquired 30% equity interest of 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.

- (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.

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.

4. 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.

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
<i>For the year ended 31 March 2018</i>			
Segment revenue	<u>182,224</u>	<u>120,099</u>	<u>302,323</u>
Segment results	<u>39,382</u>	<u>45,374</u>	<u>84,756</u>
Other income			849
Other gains and losses, net			816
Distribution and selling costs			(22,192)
Administrative expenses			(40,498)
Listing expenses			(178)
Finance costs			<u>(506)</u>
Profit before taxation			<u>23,047</u>
	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
<i>For the year ended 31 March 2017</i>			
Segment revenue	<u>127,216</u>	<u>94,844</u>	<u>222,060</u>
Segment results	<u>27,710</u>	<u>33,818</u>	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			<u>(1,240)</u>
Profit before taxation			<u>585</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, distribution and selling 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.

5. TAXATION

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

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.

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.

6. PROFIT (LOSS) FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging:		
Staff costs:		
Directors’ remuneration	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
	<u>51,514</u>	<u>39,722</u>
Auditor’s remuneration	1,200	1,000
Cost of inventories recognised as an expense (including the allowance for inventories of <i>HK\$</i> 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

7. EARNINGS (LOSS) PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	<u>18,182</u>	<u>(5,414)</u>
	2018 Number of shares '000	2017 Number of shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	987,671	588,247
Add: Effect of dilutive potential ordinary shares under share option scheme	<u>4,161</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>991,832</u>	<u>N/A</u>

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 10 of this announcement 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.

8. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

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

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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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
	<u>78,527</u>	<u>60,971</u>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	33,691	28,035
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	96,317	69,158
Others	1,850	1,599
	<u>142,111</u>	<u>116,383</u>
Analysed as:		
Current	110,915	93,851
Non-current	31,196	22,532
	<u>142,111</u>	<u>116,383</u>

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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
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
	<u>33,691</u>	<u>28,035</u>

10. 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	<i>HK\$'000</i>
Ordinary shares of <i>HK\$0.01</i> each		
Authorised:		
At 7 July 2016 (date of incorporation) (<i>note i</i>)	10,000,000	100
Increase in authorised share capital (<i>note ii</i>)	1,990,000,000	19,900
	<hr/>	<hr/>
At 31 March 2017 and 31 March 2018	2,000,000,000	20,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
At 7 July 2016 (date of incorporation)	1	–
Issue of shares (<i>note iii</i>)	99	–
	<hr/>	<hr/>
At 31 March 2017	100	–
Capitalisation issue (<i>note iv</i>)	749,999,900	7,500
Issue of shares (<i>note v</i>)	250,000,000	2,500
	<hr/>	<hr/>
At 31 March 2018	1,000,000,000	10,000
	<hr/> <hr/>	<hr/> <hr/>

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.

11. 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.

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% in 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.

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.

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 the 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.

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.

RESULTS AND DIVIDEND

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 on Friday, 3 August 2018 (the "2018 AGM"). 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus dated 31 March 2017 (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 the 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 for the insurance of certain directors and staff of the subsidiary of the Company.

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 headquarter. 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.

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.

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 from the Listing <i>HK\$ million</i>	Planned use of net proceeds as stated in the Prospectus up to 31 March 2018 <i>HK\$ million</i>	Actual use of net proceeds up to 31 March 2018 <i>HK\$ million</i>	Amount remaining <i>HK\$ million</i>
Expansion and renovation of Hong Kong headquarters	3.2	3.2	3.2	–
Establishment of the detection and response centre ⁽¹⁾	2.4	1.9	0.5	1.9
Upgrading the management systems ⁽²⁾	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
Total	56.0	13.1	32.8	23.2

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 analyse business performance and management reporting was postponed to the year ending 31 March 2019.

OTHER INFORMATION

Corporate Governance Practice

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 except the following:

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.

Pursuant to code provision C3.3 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 Audit Committee only met once with the external auditors which is deviated from code provision C3.3 due to their other business commitments in which they could not meet at same time within the reviewing period.

Save as disclosed above, the Directors are of the opinion that the Company and the Board had complied with the CG Code throughout the year ended 31 March 2018.

Code of Conduct Regarding 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 announcement.

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

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

Purchase, Sales or Redemption of the Listed Securities

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 announcement, save for those related to the reorganization, details of which may refer to the Prospectus.

Competing Interests

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.

Interests of the Compliance Adviser

As notified by Titan Financial Services Limited (“**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.

Annual General Meeting and Closure of Register of Members

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.

Share Option Scheme

The shareholders of the Company approved and adopted the Share Option Scheme by way of written resolutions on 23 March 2017. 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.

Events after the Reporting Period

On 16 January 2018, the Group entered into contract 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.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Audit Committee

The Audit Committee 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 Audit Committee currently consists of three independent non-executive Directors namely Mr. Ng Tsz Fung, Jimmy, Mr. Chan Siu Ming Simon and Mr. Yu Kwok Chun Raymond. The chairman of the Audit Committee is Mr. Ng Tsz Fung, Jimmy, who has appropriate professional qualifications and experience in accounting matters.

The audited consolidated financial statements of the Group for FY2018 have been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

By Order of the Board
Edvance International Holdings Limited
LIU Yui Ting Raymond
Chairman and Executive Director

Hong Kong, 22 June 2018

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

This announcement will remain on the website of the GEM of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.edvancesecurity.com.