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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 2017**

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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.

HIGHLIGHTS

	FY2017 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	Changes <i>HK\$'000</i>	%
Revenue	222,060	176,999	45,061	25.5%
Gross profit	61,528	53,193	8,335	15.7%
(Loss) Profit for the year	(2,290)	14,692	(16,982)	(115.6%)
Excluding non-recurring listing expenses	16,791	–		
Normalized profit for the year	14,501	14,692	(191)	(1.3)%

ANNUAL RESULTS

The board of directors (the “Board”) of Edvance International Holdings Limited (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 2017 (“FY2017”), together with comparative audited figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Revenue	4	222,060	176,999
Cost of sales		(160,532)	(123,806)
Gross profit		61,528	53,193
Other income		627	678
Other gains and losses, net		58	(881)
Distribution and selling expenses		(17,489)	(18,187)
Administrative expenses		(26,108)	(16,165)
Listing expenses		(16,791)	–
Finance costs		(1,240)	(678)
Profit before taxation		585	17,960
Taxation	5	(2,875)	(3,268)
(Loss) profit for the year	6	(2,290)	14,692
Other comprehensive expense for the year:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(583)	(50)
Total comprehensive (expense) income for the year		(2,873)	14,642
(Loss) profit for the year attributable to:			
– owners of the Company		(5,414)	11,990
– non-controlling interests		3,124	2,702
		(2,290)	14,692
Total comprehensive (expense) income for the year attributable to:			
– owners of the Company		(5,872)	11,948
– non-controlling interests		2,999	2,694
		(2,873)	14,642
(Loss) earnings per share (HK cents)	7	(0.9)	1.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property and equipment		8,960	1,496
Prepayment and deposits	8	27,155	20,519
Deferred tax assets		294	294
		<hr/> 36,409	<hr/> 22,309
Current assets			
Inventories		5,246	11,056
Trade and other receivables, prepayment and deposits	8	92,092	60,355
Tax recoverable		2,364	–
Bank balances and cash		18,499	12,494
		<hr/> 118,201	<hr/> 83,905
Current liabilities			
Trade and other payables and accruals	9	93,851	65,469
Amount due to a related party		–	200
Amounts due to directors		–	3,480
Bank borrowings		27,022	8,121
Obligations under finance leases		146	339
Provisions		1,826	1,826
Derivative financial instruments		38	–
Tax liabilities		–	869
		<hr/> 122,883	<hr/> 80,304
Net current (liabilities) assets		<hr/> (4,682)	<hr/> 3,601
Total assets less current liabilities		<hr/> 31,727	<hr/> 25,910

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As 31 March 2017

1. GENERAL

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

The address of the registered office and principal place of business of the Company are 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 THE 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 are considered as non-controlling shareholders of the Company’s subsidiaries.

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

- (i) On 31 March 2016, Edvance Holdings Limited (“Edvance Holdings”) acquired 30% equity interest of Edvance Consulting (Hong Kong) Limited (“Edvance Consulting (HK)”) from a non-controlling shareholder of Edvance Consulting (HK) at a cash consideration of HK\$30,000 and Edvance Holdings acquired 49% equity interest of Edvance Technology (Singapore) Pte. Ltd. (“Edvance Technology (Singapore)”) from Mr. Raymond Liu at a cash consideration of Singapore Dollars 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 both years or since their respective dates of incorporation, where there is a shorter period. Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

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

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

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

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

New and revised HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

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

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 makers (“CODM”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

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

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

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 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 expenses			(17,489)
Administrative expenses			(26,108)
Listing expenses			(16,791)
Finance costs			<u>(1,240)</u>
Profit before taxation			<u>585</u>
	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
<i>For the year ended 31 March 2016</i>			
Segment revenue	<u>106,901</u>	<u>70,098</u>	<u>176,999</u>
Segment results	<u>26,238</u>	<u>26,955</u>	53,193
Other income			678
Other losses			(881)
Distribution and selling expenses			(18,187)
Administrative expenses			(16,165)
Finance costs			<u>(678)</u>
Profit before taxation			<u>17,960</u>

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

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

5. TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	2,875	3,241
PRC Enterprise Income Tax ("EIT")	–	121
Withholding tax arising from dividends received from a subsidiary in the PRC	–	200
Deferred tax credit	–	(294)
	<u>2,875</u>	<u>3,268</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 2016. No PRC EIT was made in the year ended 31 March 2017 as the subsidiary in the PRC incurred a tax loss.

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

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

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

6. (LOSS) PROFIT FOR THE YEAR

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

7. (LOSS) EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share (loss) profit for the year attributable to owners of the Company)	<u>(5,414)</u>	<u>11,990</u>
	2017 Number of shares '000	2016 Number of shares '000
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>588,247</u>	<u>630,000</u>

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

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

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

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

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

10. SHARE CAPITAL

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

Details of the shares of the Company are as follows:

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

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

11. DIVIDEND

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

OUTLOOK AND PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.3 million, or 15.6% from approximately HK\$53.2 million to approximately HK\$61.5 million. The increase was in line with the increase in revenue.

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

Other income

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

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

Other gains and losses, net

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

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

Distribution and selling expenses

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

Administrative expenses

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

Finance costs

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

Taxation

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

Loss for the year attributable to owners of the Company

The loss attributable to owners of the Company in FY2017 was approximately HK\$5.4 million. Excluding the non-recurring listing expenses of approximately HK\$16.8 million, the Group should have recorded profit attributable to owners of the Company, which was slightly decreased by approximately HK\$0.6 million or 5% from approximately HK\$12.0 million to approximately HK\$11.4 million in FY2017.

Cash flow

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

The cash used in investing activities in FY2017 was approximately HK\$5.9 million while the cash used in investing activities in FY2016 was approximately HK\$9.0 million. The decrease was mainly due to the combined effect of increase in purchase of property and equipment of approximately HK\$5.8 million in FY2017 which was partially offset by decrease in payment for life insurance contracts from approximately HK\$9.4 million to nil.

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

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

We believe our liquidity position would further be strengthened by using the combined of cash generated from operating activities and the net proceeds received from the Listing. Going forward, we intend to use working capital in accordance with the section headed "Business Objectives and Future Plans" in the Prospectus.

CAPITAL STRUCTURE

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

COMMITMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

CONTINGENT LIABILITIES

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

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

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

CHARGE ON GROUP'S ASSETS

As at 31 March 2017 and 2016, the Group's bank borrowings and obligations under finance leases were secured by life insurance contracts and motor vehicles.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

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

USE OF PROCEEDS FROM THE LISTING

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

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

OTHER INFORMATION

Corporate Governance Practice

As the Shares were not yet listed on the Stock Exchange as at 31 March 2017, the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules were not applicable to the Company for FY2017.

The Board recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Company has adopted the CG Code and, in the opinion of the Board, the Company has complied with the CG Code from the Listing Date to the date of this announcement.

The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture which would benefit the Company’s stakeholders as a whole. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of the shareholders and other stakeholders of the Company.

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 from the Listing Date 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 from the Listing Date up to the date of this announcement.

Purchase, Sale or Redemption of Listed Securities

Since the Shares were listed on GEM on 19 April 2017, to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Competing Interests

During the year ended 31 March 2017, 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 2017, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Events after the Reporting Period

On 19 April 2017, the Shares were successfully listed on GEM of the Stock Exchange with stock code 8410. 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 2017 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 Company established the Audit Committee on 18 April 2017 with written terms of reference as suggested under the CG Code which are available on the websites of the Stock Exchange and the Company.

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 FY2017 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
Mr. LIU Yui Ting, Raymond
Chairman and Executive Director

Hong Kong, 23 June 2017

As at the date of this announcement, the executive Directors are Mr. Liu Yui Ting Raymond, Mr. Lee Francis Sung Kei, Mr. Lo Wai Ho Ashley, Mr. Von John and Mr. Lam Tak Ling; the non-executive Director is 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 Stock Exchange's website at www.hkexnews.hk, and in the case of the announcement, on the "Latest Company Announcements" page for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.edvancesecurity.com.