



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

SHARE OFFER

Sole Sponsor



TITAN FINANCIAL SERVICES LIMITED

Sole Bookrunner and Sole Lead Manager



CINDA INTERNATIONAL SECURITIES LIMITED

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

edvance

EDVANCE INTERNATIONAL HOLDINGS LIMITED 安領國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	250,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	:	25,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	225,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Maximum Offer Price	:	HK\$0.34 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	8410

Sole Sponsor



Titan Financial Services Limited

Sole Bookrunner and Sole Lead Manager



Cinda International Securities Limited

Co-Lead Managers



China Jianxin Financial Services Limited



Goldenway Investments (HK) Limited

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

A copy of this prospectus, having attached thereto the documents specified under "Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" of this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or before Friday, 7 April 2017 or such later date as the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company may agree. The Offer Price will not be more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. The Sole Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.edvancesecurity.com. If the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately. In the case of such event, a notice will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.edvancesecurity.com.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the U.S. and may not be offered, sold, pledged, or transferred within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" of this prospectus.

Prospective investors of the Offer Shares should note that the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) is entitled, in its sole and absolute discretion, to terminate the Underwriting Agreements with immediate effect by giving notice in writing to us if any of the events set forth under the paragraph headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

31 March 2017

CHARACTERISTICS OF GEM

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 Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at www.edvancesecurity.com and the website of the Stock Exchange at www.hkexnews.hk.

Date *(Note 1)*

Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Friday, 31 March 2017
Application lists of the Public Offer open <i>(Note 2)</i>	11:45 a.m. on Thursday, 6 April 2017
Latest time for lodging WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC <i>(Note 3)</i>	12:00 noon on Thursday, 6 April 2017
Application lists of the Public Offer close <i>(Note 2)</i>	12:00 noon on Thursday, 6 April 2017
Expected Price Determination Date on or before <i>(Note 4)</i>	Friday, 7 April 2017
Announcement of (i) the Offer Price; (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published on the website of our Company at www.edvancesecurity.com <i>(Note 5)</i> and the website of the Stock Exchange at www.hkexnews.hk	Tuesday, 18 April 2017
Results of allocation in the Public Offer will be available at www.unioniporesults.com.hk with a “search by ID” function from	Tuesday, 18 April 2017
Announcement of results of allotment of the Public Offer (with successful applicants’ identification document numbers, where applicable) available through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares – 10. Publication of results” in this prospectus from	Tuesday, 18 April 2017
Despatch/collection of share certificates and/or refund cheques on or before <i>(Notes 6, 7, 8, 9 and 10)</i>	Tuesday, 18 April 2017
Dealings in the Shares on GEM to commence on	9:00 a.m. on Wednesday, 19 April 2017

EXPECTED TIMETABLE

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 April 2017, the application lists will not open or close on that day. Further information is set forth in the section headed “How to Apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or before Friday, 7 April 2017. If, for any reason, the Offer Price is not agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or before Friday, 7 April 2017, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.34 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.34 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but the surplus application monies will be refunded, without interest, as provided in the section headed “How to Apply for the Public Offer Shares” in this prospectus.
5. None of our Company’s website or any of the information contained in our Company’s website forms part of this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on Tuesday, 18 April 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 19 April 2017 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

EXPECTED TIMETABLE

8. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 April 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

9. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

10. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for the Public Offer Shares – 13. Despatch/collection of share certificates and refund monies" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer. The contents of our Company's website at www.edvancesecurity.com do not form part of this prospectus.

	<i>Page</i>
Characteristics of GEM	i
Expected Timetable	ii
Contents	v
Summary	1
Definitions	11
Glossary of Technical Terms	24
Forward-looking Statements	26
Risk Factors	38
Information about this Prospectus and the Share Offer	43
Directors, Senior Management and Parties Involved in the Share Offer	48
Corporate Information	53
Industry Overview	55
Regulatory Overview	71

CONTENTS

History, Reorganisation and Corporate Structure	86
Business	99
Continuing Connected Transaction	150
Directors, Senior Management and Employees	152
Substantial Shareholders	164
Relationship with Controlling Shareholders	166
Share Capital	173
Financial Information	177
Business Objectives and Future Plans	239
Underwriting	253
Structure and Conditions of the Share Offer	265
How to Apply for the Public Offer Shares	273
Appendices	
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Summary of the Constitution of the Company and Cayman Islands Companies Law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

SUMMARY

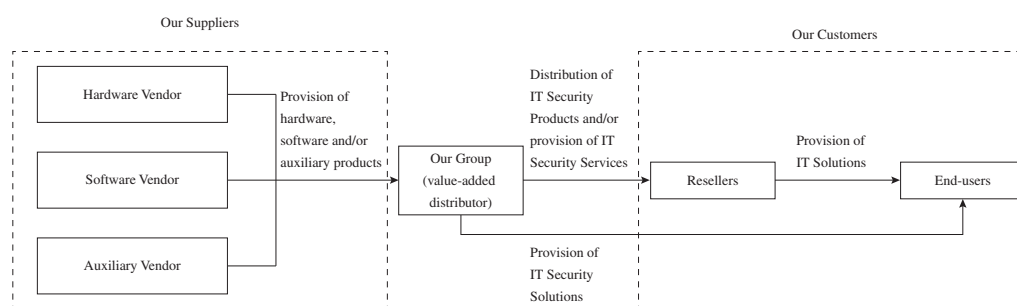
This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

BUSINESS OVERVIEW

We are a leading IT Security Solutions value-added distributor with our headquarters located in Hong Kong. We introduce IT Security Products and offer IT Security Services to safeguard end-users’ IT systems. According to the F&S Report, in terms of revenue generated in 2015, we ranked first amongst the IT Security Solutions distributors in Hong Kong with a market share of approximately 9.2%. IT Security Solutions is a sub-set of IT Solutions.

Our business model: As an IT Security Solutions value-added distributor, we introduce IT Security Products and provide related IT Security Services to the local markets. Our suppliers are mainly multinational corporations which provide IT Security Products, including hardware, software and auxiliary products, to our Group. We believe that our vendors appoint us because they can leverage on our established resellers’ network so that they can save time and cost to build up a customer network in the local market. We distribute the IT Security Products and/or provide IT Security Services covering technical implementation services, maintenance and support services and consulting services to our customers. Our customers are mainly IT companies which act as resellers in providing overall IT Solutions to end-users. We believe that the resellers order from us because they can leverage on our technical expertise and knowledge on IT Security Products. For example, we own more in-depth technical knowledge in relation to IT Security Products due to training and/or certification provided by the vendors and have a product mix, which could create product synergies between different products. For details, please refer to the paragraph headed “Industry Overview – Overview of the IT Security Solutions Industry” of this prospectus.

The following diagram illustrates our business model:



We consider our provision of IT Security Services to be one of our competitive strengths which distinguishes us from other distributors who only provide logistics services for the distribution of IT Security Products to resellers. We believe that our in-depth knowledge of the industry and technicalities on our vendors’ products as well as our experience in the local market allow us (i) to help our vendors to penetrate the local market; (ii) to provide IT Security Services to form IT Security Solutions to customers; and (iii) to ensure that our customers understand how to apply these IT Security Solutions. From an operational perspective, unlike logistics distributors in the traditional sense, (i) we do not have return policy for our customers except for defective hardware replacement, which is covered by the vendors’ warranty or product maintenance services (where applicable); and (ii) we generally obtain confirmed orders from our customers before placing purchase orders with our vendors.

SUMMARY

Our pricing model: We determine the prices of our IT Security Solutions on a cost-plus basis, primarily taking into consideration of (i) the type of IT Security Products and/or IT Security Services required; (ii) the costs to be charged by our vendors; and (iii) the technical staff required and the relevant labour costs required to complete the projects.

Our revenue: For FY2015, FY2016 and 1H2017, our revenue amounted to approximately HK\$125.5 million, HK\$177.0 million and HK\$102.1 million, respectively.

The table below sets forth the breakdown of our revenue derived from the distribution of IT Security Products and the provision of IT Security Services for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
IT Security Products								
Network security products	40,233	54.8	48,901	45.8	30,939	58.2	21,146	37.1
System security products	16,030	21.8	39,792	37.2	13,269	24.9	21,954	38.5
Application and data security products	17,196	23.4	18,208	17.0	8,988	16.9	13,883	24.4
Sub total	<u>73,459</u>	<u>58.6</u>	<u>106,901</u>	<u>60.4</u>	<u>53,196</u>	<u>63.0</u>	<u>56,983</u>	<u>55.8</u>
IT Security Services								
Maintenance and support services	40,994	78.8	54,001	77.0	25,056	80.1	34,317	76.1
Technical implementation services	9,698	18.7	14,704	21.0	5,459	17.4	10,313	22.9
Consulting services	1,308	2.5	1,393	2.0	785	2.5	449	1.0
Sub total	<u>52,000</u>	<u>41.4</u>	<u>70,098</u>	<u>39.6</u>	<u>31,300</u>	<u>37.0</u>	<u>45,079</u>	<u>44.2</u>
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

For FY2015 and FY2016, network security products constituted our largest source of revenue generated from the IT Security Products segment, accounting for approximately 54.8% and 45.8% of such segment revenue for the respective periods, while for 1H2017, system security products constitute our largest source of revenue, accounting for approximately 38.5% of the IT Security Products segment revenue. For FY2015, FY2016 and 1H2017, maintenance and support services constituted our largest source of revenue generated from the IT Security Services segment, accounting for approximately 78.8%, 77.0% and 76.1% of such segment revenue for the respective periods.

Our geographical presence: We commenced our business in Hong Kong in 2002 and subsequently, expanded to other geographical locations by setting up wholly-owned subsidiaries in the PRC in October 2007, Singapore in April 2013 and Macau in May 2015. For FY2015, FY2016 and 1H2017, approximately 73.4%, 70.2% and 78.0% of our total revenue was generated from our customers located in Hong Kong, respectively.

The table below illustrates the breakdown of our revenue by geographical location where our customers are located for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Hong Kong	92,103	73.4	124,338	70.2	61,587	72.9	79,580	78.0
Macau (Note)	18,060	14.4	16,217	9.2	7,335	8.7	7,208	7.0
Mongolia (Note)	1,001	0.8	4,763	2.7	274	0.3	1,517	1.5
The PRC	11,057	8.8	23,794	13.4	12,396	14.7	8,893	8.7
Singapore	3,238	2.6	7,887	4.5	2,904	3.4	4,864	4.8
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

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

Throughout and after the Track Record Period and up to the Latest Practicable Date, there had not been, nor do we expect there to be, any change in the business focus of our Group.

CUSTOMERS

Customers who place orders with us for distribution of IT Security Products and/or provision of IT Security Services are mainly IT companies who act as resellers in providing IT Solutions to end-users. We also receive orders directly from end-users for the provision of IT Security Solutions in occasions that (i) those end-users have been with us prior to our Group started to operate as a value-added distributor in 2009; and (ii) the end-users are located in

SUMMARY

markets where we have not yet identified suitable local resellers to partner with when carrying out certain projects, such as the PRC and Mongolia. During the Track Record Period and up to the Latest Practicable Date, we have served over 300 customers.

The following table sets forth the breakdown of our revenue by types of customers for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Resellers	97,109	77.4	136,511	77.1	67,085	79.4	82,862	81.2
End-users	28,350	22.6	40,488	22.9	17,411	20.6	19,200	18.8
Total	125,459	100.0	176,999	100.0	84,496	100.0	102,062	100.0

During the Track Record Period, our five largest customers accounted for approximately 40.5%, 37.6% and 38.8% of our total revenue, among which, our largest customer accounted for approximately 9.1%, 10.2% and 11.8% of our total revenue for the respective periods.

For details, please refer to the paragraph headed “Business – Customers” of this prospectus.

SUPPLIERS

Our suppliers are mainly multinational corporations who are vendors of IT Security Products. As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 19 international vendors. Although, in line with the industry’s practice, we do not enter into any exclusive distributorship agreement with our vendors, a number of our vendors have partnered with us as their only distributor in particular geographical regions. As at the Latest Practicable Date, we are the only distributor of seven vendors of IT Security Products in certain geographical locations, among which we are the only distributor for (i) all of them in Hong Kong; (ii) five of them in Macau; (iii) three of them in Singapore; and (iv) one of them in the PRC.

The following table sets forth the breakdown of our revenue generated from the distribution of IT Security Products by new and existing vendors for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
New vendors (Note)	5,827	7.9	6,564	6.1	7,227	13.6	–	–
Existing vendors	67,632	92.1	100,337	93.9	45,969	86.4	56,983	100.0
Total	73,459	100.0	106,901	100.0	53,196	100.0	56,983	100.0

Note: A new vendor is one which we enter into a master agreement with such vendor for the first time during that year/period.

For FY2015, FY2016 and 1H2017, our cost of sales amounted to approximately HK\$87.9 million, HK\$123.8 million and HK\$75.0 million, respectively; our five largest suppliers accounted for approximately 77.1%, 58.4% and 62.3% of our total cost of sales, among which the largest supplier accounted for approximately 35.0%, 14.6% and 24.0% of our total cost of sales for the respective periods.

For details, please refer to the paragraph headed “Business – Suppliers” of this prospectus.

COMPETITIVE LANDSCAPE

According to the F&S Report, in terms of revenue generated in 2015, we ranked first amongst IT Security Solutions distributors in Hong Kong with a market share of approximately 9.2%. The IT Security Solutions market in Hong Kong has a relatively higher market concentration when compared to the PRC, Singapore and Macau, with around 100 players competing in the Hong Kong’s IT Security Solutions market and the top five players represent approximately 30.7% share of the market in 2015.

Factors which affect the competitiveness of players in the IT Security Solutions market include (i) the availability of experienced talents in the IT Security industry; (ii) the ability to maintain good business relationships with the vendors; and (iii) generally heavy administrative cost in the Hong Kong.

For details of the competitive landscape of the industry, please refer to the section headed “Industry Overview” of this prospectus.

SUMMARY

COMPETITIVE STRENGTHS

We believe our success is attributed to the competitive strengths including: (i) being a leading IT Security Solutions value-added distributor in Hong Kong with and are able to maintain long-standing partnership with international vendors; (ii) we provide IT Security Products from our vendors who are market leaders in their respective fields; (iii) we are the only distributor for a number of IT Security Products in designated geographical regions; (iv) we have strong technical expertise and knowledge on IT Security; and (v) our effective channel model.

For details, please refer to the paragraph headed “Business – Competitive Strengths” of this prospectus.

BUSINESS STRATEGIES

Our business objective is to capture the growing business opportunities in the IT Security Solutions market in the Asia Pacific region by (i) strengthening our leading position in the IT Security Solutions market in Hong Kong; and (ii) actively exploring the Singapore and its neighboring markets by expanding our existing operation in Singapore as our Service Hub. Through the Listing, we aim to enhance our corporate governance and to continue the implementation of the business strategies including: (i) to broaden our IT Security Products portfolio; (ii) to deepen our marketing penetration by introducing IT Security Products to reputable corporate end-users; (iii) to strengthen our sales and marketing and technical support functions; and (iv) to expand our existing operation in Singapore as our Service Hub.

For details, please refer to the paragraph headed “Business – Business Strategies” of this prospectus.

KEY OPERATIONAL AND FINANCIAL INFORMATION

The following tables present a summary of our operational and financial information during the Track Record Period and should be read in conjunction with our financial information in the Accountant’s Report included in Appendix I to this prospectus, including the notes thereto.

Highlights of our combined statements of profit or loss and other comprehensive income

	FY2015 HK\$'000	FY2016 HK\$'000	1H2016 HK\$'000 (unaudited)	1H2017 HK\$'000
Revenue	125,459	176,999	84,496	102,062
Gross profit	37,544	53,193	26,105	27,068
Profit before taxation	6,722	17,960	8,944	6,483
Profit for the year/period attributable to:				
– owners of the Company	5,721	11,990	5,762	3,440
– non-controlling interests	(643)	2,702	1,015	1,369
Profit for the year/period	5,078	14,692	6,777	4,809

Note: By excluding the non-recurring Listing expenses of approximately HK\$2.5 million, our Group would have recorded adjusted profit of approximately HK\$5.9 million for 1H2017. Such adjusted profit is an additional non-GAAP measure to supplement our consolidated financial statements, which is used to provide supplemental information to facilitate the comparison of our Group’s historical performance by excluding expenses that are considered to be non-recurring and not incurred in the ordinary course of business. However, in view of the limitation of this measure, prospective investors should not consider such adjusted profit in isolation or as a substitute of our profit or loss for the period.

Revenue

The following table sets forth the breakdown of our revenue by business segments for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
IT Security Products	73,459	58.6	106,901	60.4	53,196	63.0	56,983	55.8
IT Security Services	52,000	41.4	70,098	39.6	31,300	37.0	45,079	44.2
Total	125,459	100.0	176,999	100.0	84,496	100.0	102,062	100.0

SUMMARY

For FY2015 and FY2016, our revenue increased by approximately HK\$51.5 million, or 41.0%, from approximately HK\$125.5 million for FY2015 to approximately HK\$177.0 million for FY2016. For 1H2016 and 1H2017, our revenue recorded an increase of approximately HK\$17.6 million, or 20.8%, from approximately HK\$84.5 million for 1H2016 to approximately HK\$102.1 million for 1H2017.

We experienced significant growth in revenue during the Track Record Period 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. Our net profit was approximately HK\$5.1 million and HK\$14.7 million for FY2015 and FY2016, respectively, representing an increase of approximately 188.2%, which was mainly due to the revenue growth with our distribution and selling expense remained relatively stable for both years. Our net profit was approximately HK\$6.8 million and HK\$4.8 million for 1H2016 and 1H2017, respectively, indicating a decrease of approximately 29.4%, primarily as resulted from the recognition of the non-recurring Listing expenses of approximately HK\$2.5 million.

Cost of Sales

Our cost of sales primarily consists of (i) the costs of procurement for IT Security Products; (ii) the costs of the maintenance and support services charged by our vendors; (iii) the direct staff costs; and (iv) other costs including delivery expenses and service fees paid to service providers we engaged mainly for the provision of local technicians for projects outside Hong Kong.

The following table sets forth the breakdown of our cost of sales for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Cost of hardware and software components	55,559	63.2	79,740	64.5	37,756	64.7	45,102	60.2
Cost of services	21,311	24.2	28,153	22.7	14,038	24.0	22,221	29.6
Direct staff costs	8,801	10.0	11,307	9.1	5,353	9.2	5,937	7.9
Others	2,244	2.6	4,606	3.7	1,244	2.1	1,734	2.3
Total	87,915	100.0	123,806	100.0	58,391	100.0	74,994	100.0

For FY2015, FY2016 and 1H2017, our cost of sales were approximately HK\$87.9 million, HK\$123.8 million and HK\$75.0 million, respectively. For FY2015 and FY2016, our cost of sales increased by approximately HK\$35.9 million, or 40.8% from approximately HK\$87.9 million for FY2015 to approximately HK\$123.8 million for FY2016. For 1H2016 and 1H2017, our cost of sales increased by approximately HK\$16.6 million, or 28.4%, from approximately HK\$58.4 million for 1H2016 to approximately HK\$75.0 million for 1H2017. Such increase was in line with the increase in our revenue growth during the years/periods.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit, which is the segment results of respective business segments, and gross profit margin by business segments for the years/periods indicated:

	FY2015			FY2016			1H2016			1H2017		
	HK\$'000	% of total gross profit	Gross profit margin %	HK\$'000	% of total gross profit	Gross profit margin %	HK\$'000 (unaudited)	% of total gross profit	Gross profit margin %	HK\$'000	% of total gross profit	Gross profit margin %
IT Security Products	17,810	47.4	24.2	26,238	49.3	24.5	14,195	54.4	26.7	11,661	43.1	20.5
IT Security Services	19,734	52.6	38.0	26,955	50.7	38.5	11,910	45.6	38.1	15,407	56.9	34.2
Total	37,544	100.0	29.9	53,193	100.0	30.1	26,105	100.0	30.9	27,068	100.0	26.5

Our overall gross profit was approximately HK\$37.5 million, HK\$53.2 million and HK\$27.1 million for FY2015, FY2016 and 1H2017, respectively, with our overall gross profit margin was approximately 29.9%, 30.1% and 26.5% for FY2015, FY2016 and 1H2017, respectively. Our Group recorded a lower gross profit margin for 1H2017, which was primarily attributable to our products procured from Vendor F recorded a lower gross profit margin and the respective maintenance and support services as a result of the competitive and lower pricing set for sizeable customers to increase our market share with increased market penetration of such products given that we are not the only distributor of such products in Hong Kong.

SUMMARY

For details of the analysis regarding our Group's financial performance during the Track Record Period, please refer to the paragraph headed "Financial Information – Period to Period Comparison of Result of Our Operations" of this prospectus.

Highlights of our combined statements of financial position

	As at 31 March 2015 HK\$'000	2016 HK\$'000	As at 30 September 2016 HK\$'000
Non-current assets	13,361	22,309	27,937
Current assets	50,200	83,905	86,590
Non-current liabilities	(15,972)	(13,842)	(19,698)
Current liabilities	(46,830)	(80,304)	(78,241)
Net current assets	3,370	3,601	8,349
Net assets	759	12,068	16,588

For details of the fluctuation of the abovementioned items, please refer to the paragraph headed "Financial Information – Net Current Assets" of this prospectus.

Summary of our combined statements of cash flows

	FY2015 HK\$'000	FY2016 HK\$'000	1H2016 HK\$'000 (Unaudited)	1H2017 HK\$'000
Operating cash flows before movements in working capital	<u>7,849</u>	<u>20,009</u>	<u>9,809</u>	<u>6,995</u>
Net cash generated from (used in) operating activities	6,103	12,580	2,547	(2,343)
Net cash used in investing activities	(1,510)	(9,034)	(7,396)	(1,129)
Net cash (used in) generated from financing activities	<u>(2,704)</u>	<u>2,135</u>	<u>5,554</u>	<u>716</u>
Net increase (decrease) in cash and cash equivalents	1,889	5,681	705	(2,756)
Cash and cash equivalents at beginning of the year/period	4,902	6,862	6,862	12,494
Effect of exchange rate changes	<u>71</u>	<u>(49)</u>	<u>(112)</u>	<u>(289)</u>
Cash and cash equivalents at end of the year/period	<u><u>6,862</u></u>	<u><u>12,494</u></u>	<u><u>7,455</u></u>	<u><u>9,449</u></u>

For 1H2017, we recorded negative cash flow from our operating activities of approximately HK\$2.3 million, which was mainly due to (i) the decrease in profit before taxation primarily resulted from the non-recurring Listing expenses of approximately of HK\$2.5 million incurred during the period; and (ii) the changes for the movements in working capital, in particular, the increase in trade and other receivables, prepayment and deposits of approximately HK\$15.8 million mainly due to the increase in trade receivables, prepayment to suppliers for maintenance and support services and deferred listing expenses.

For more details of our Group's cash flow, please refer to the paragraph headed "Financial Information – Liquidity and Capital Resources – Cash flows" of this prospectus.

Selected financial ratios

	As at/ Year ended 31 March 2015	2016	As at/Period ended 30 September 2016
Net profit margin	4.6%	6.8%	3.4%
Return on equity	320.1%	118.3%	57.4%
Return on total assets	9.0%	11.3%	6.0%
Current ratio	1.1	1.0	1.1
Quick ratio	1.0	0.9	1.0
Gearing ratio	739.7%	101.8%	78.7%
Debt to equity ratio	Net cash	Net cash	21.7%
Interest coverage	26.6	27.5	26.8

For further details of the key financial ratios, please refer to the paragraph headed "Financial Information – Selected Financial Ratios Discussion" of this prospectus.

SUMMARY

SHAREHOLDING INFORMATION

The Controlling Shareholders

On 12 December 2016, two of our Controlling Shareholders, namely Mr. Raymond Liu and Mr. Ashley Lo entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group since the incorporation of Edvance Technology (HK) on 26 August 2002 and will continue so as of and after the date of the Concert Parties Confirmatory Deed, until termination in writing by both parties. For details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Parties Acting in Concert” of this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be issued upon exercise of the Offer Size Adjustment Option and any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Success Vision (held by Mr. Raymond Liu as to 59.21% and Mr. Ashley Lo as to 40.79%), will own 57.0% interest of the enlarged issued share capital of our Company. Although Mr. Ashley Lo does not hold more than 50% of the voting interest in Success Vision and thus not in a position to control Success Vision’s voting interest in our Company immediately following the Listing, on the basis that (i) Mr. Raymond Liu and Mr. Ashley Lo have entered into Concert Parties Confirmatory Deed; and (ii) Mr. Ashley Lo, together with Mr. Raymond Liu, have decided to restrict their ability to exercise direct control over our Company immediately following the Listing by holding their interests through Success Vision, Mr. Raymond Liu, Mr. Ashley Lo and Success Vision will be regarded as a group of Controlling Shareholders. For details, please refer to the section headed “Relationship with Controlling Shareholders” of this prospectus.

Apart from satisfying the lock-up requirements under the GEM Listing Rules, each of our Controlling Shareholders has voluntarily undertaken to our Company that, it or he shall not, at any time during the six months from the expiry of the Second Six-Month Period lock-up under the GEM Listing Rules, dispose of any of the Relevant Securities, if immediately following such disposal they would cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company on a collective basis. Such voluntary lock-up undertaking is irrevocable and may not be waived by the Company.

For further details, please refer to the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Voluntary lock-up undertaking by our Controlling Shareholders” in this prospectus.

After Listing, there will be transaction which will constitute continuing connected transaction and will be fully exempt from all report, annual review, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. For details, please refer to the section headed “Continuing Connected Transaction” of this prospectus.

Pre-IPO Investment

On 24 June 2016, Mr. Ashley Lo and Mr. John Von, as vendors, and Earning Gear (the ultimate beneficial owner is Dr. Kenny Tang, our non-executive Director), as purchaser, entered into the Pre-IPO Investment Agreement pursuant to which Earning Gear agreed to acquire eight shares and two shares in Best Gear, representing in aggregate 10.0% of the total number of issued shares in Best Gear from Mr. Ashley Lo and Mr. John Von respectively, for a cash consideration of HK\$7,200,000 and HK\$1,800,000, respectively.

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option and any Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme), Earning Gear will own 7.5% of the issued share capital of the Company.

For details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Pre-IPO Investment by Earning Gear” of this prospectus.

SUMMARY

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Our Directors believe that the Listing is essential for the future development and expansion of our Group, enhance corporate profile and status, market visibility and credibility with the public and potential business partners, which in turn can boost the confidence of our existing and potential customers and vendors, thereby our Group can negotiate for better terms and conditions with the latter.

The estimated net proceeds from the Share Offer (based on the mid-point of the indicative Offer Price range) will amount to approximately HK\$56.0 million, which shall be allocated for the purposes and in the amounts set out below:

- approximately 5.7% of the net proceeds, representing approximately HK\$3.2 million, will be used for the expansion and renovation of our Hong Kong headquarters;
- approximately 4.3% of the net proceeds, representing approximately HK\$2.4 million, will be used for the establishment of the DRC;
- approximately 6.6% of the net proceeds, representing approximately HK\$3.7 million, will be used for upgrading our management systems;
- approximately 2.3% of the net proceeds, representing approximately HK\$1.2 million, will be used for upgrading our network infrastructure;
- approximately 40.2% of the net proceeds, representing approximately HK\$22.5 million, will be used for the expansion of the operation in Singapore as our Service Hub together with its renovation;
- approximately 5.4% of the net proceeds, representing approximately HK\$3.0 million, will be used for investment in demonstration equipment;
- approximately 2.1% of the net proceeds, representing approximately HK\$1.2 million, will be used for increasing our marketing efforts;
- approximately 29.7% of the net proceeds, representing approximately HK\$16.7 million, will be used for expanding our workforce; and
- approximately 3.7% of the net proceeds, representing approximately HK\$2.1 million, will be used for general working capital.

For details of our future plans and use of proceeds, please refer to the section headed “Business Objectives and Future Plans” of this prospectus. Please also refer to the paragraph headed “Business Objectives and Future Plans – Reasons for the Share Offer and Use of Proceeds” of this prospectus for detailed reasons for our Listing.

LISTING EXPENSES

The estimated total Listing expenses (based on the mid-point of our indicative Offer Price range and assuming the Offer Size Adjustment Option is not exercised) in relation to the Share Offer is approximately HK\$24.0 million, of which (i) approximately HK\$2.5 million was charged to our combined statements of profit or loss and other comprehensive income for 1H2017; (ii) approximately a further HK\$13.2 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017; (iii) approximately HK\$1.0 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018; and (iv) approximately HK\$7.3 million was or will be charged against equity for the year ending 31 March 2018. The estimated Listing expenses described above are the latest practicable estimate and are for reference only. The actual amount and the accounting treatment may differ from this estimate. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2017 will be materially and adversely affected by the non-recurring Listing expenses.

DIVIDEND

During the Track Record Period, Best Gear declared and paid dividends of HK\$3.0 million, HK\$3.0 million and nil, respectively, to its then shareholders. All such dividends had been fully settled and we financed the payment of such dividends by internal resources.

SUMMARY

Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The ability of distribution, declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our Shareholders, and will be dependent upon our earnings, financial conditions, cash requirements and availability, future prospects, future balance of our Group's retained earnings, contractual restrictions, applicable laws and provisions and other relevant factors deemed appropriate by our Directors. Our Group may not be able to distribute dividends if we record accumulated losses in the future. For further details, please refer to the paragraph headed "Financial Information – Dividend" in this prospectus.

INVESTMENT ACTIVITIES

Given the favourable terms offered under the foreign currency contract, we consider this as a low risk investment to utilise our idle cash to realise gain from the fluctuation in the exchange currency rate of US\$ to HK\$. Hence we have entered into a HK\$/US\$ net-settled structured foreign currency forward contract with a commercial bank in Hong Kong in March 2016. During 1H2017, we recorded a total gain of approximately HK\$58,000 from such contract.

For further details of our foreign currency forward contract and our relevant internal control measures, please refer to the paragraph headed "Financial Information – Discussion of Certain Key Balance Sheet Items – Derivative Financial Instruments" in this prospectus and Note 22 of the Accountants' Report included in Appendix I to this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

During the Track Record Period, our Group had a disagreement on the settlement of certain purchaser orders with Vendor A in 2015, details of which are set out in the paragraph headed "Business – Suppliers – Major Suppliers" in this prospectus. Despite the various subsequent emails from our PRC Legal Advisers to Vendor A's legal advisers, no response from Vendor A or its legal advisers has been received up to the Latest Practicable Date. Our Directors confirmed that no legal proceedings have been initiated by Vendor A against Edvance Technology (HK) as at the Latest Practicable Date.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model, revenue and cost structure has remained unchanged. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had 215 ongoing contracts and contracts which have yet to commence works with a total contract sum of approximately HK\$39.5 million.

As at the Latest Practicable Date, our Group has commenced the preliminary stage of our future plans, details of which are disclosed in the paragraph headed "Business Objectives and Future Plans – Implementation Plans" of this prospectus. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has made payments amounting to approximately HK\$3.2 million and HK\$1.0 million in relation to the renovation of the office of our Hong Kong headquarters and upgrade of our systems and networks, respectively. Our Group has also relocated our headquarters and training centre to the new headquarters in January 2017.

In addition, our Group has obtained two banking facilities of an aggregate amount of approximately HK\$17.2 million subsequent to the Track Record Period, which were then fully utilised as at the Latest Practicable Date for replenishing our working capital previously used for settling our Listing expenses and payment of taxes.

Subsequent to the Track Record Period, we have been served a notice by one of our suppliers, who is not one of our top five suppliers during the Track Record Period, to terminate the distributorship agreement between such supplier and us. Such termination is expected to take effect in May 2017. During the Track Record Period and up to the Latest Practicable Date, no purchases were made from such supplier and no revenue was generated from the products of such supplier.

It is also estimated that, upon Listing, there will be a substantial increase in the administrative expenses, in particular, (i) the increase in rental expenses arising from the leasing of new headquarters since June 2016, (ii) the increase in professional fees arising from the engagement of consultants, and (iii) the increase in staff costs arising from the additions of administrative staff, which may adversely affect our business and results of our operations for the year ending 31 March 2017.

SUMMARY

Our Directors have confirmed that, save as disclosed above and the Listing expenses as disclosed in the paragraph headed “Listing Expenses” above, subsequent to the Track Record Period and up to the date of this prospectus, there had been no material adverse change in the trading and financial position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report as set out in Appendix I to the prospectus.

SHARE OFFER STATISTICS

The Share Offer comprises: (i) the Public Offer of initially 25,000,000 Public Offer Shares (subject to reallocation); and (ii) the Placing of initially 225,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option). The following table sets out certain offering related data, assuming that the Share Offer has been completed:

	Based on the indicative Offer Price of HK\$0.30 per Offer Share	Based on the indicative Offer Price of HK\$0.34 per Offer Share
Market capitalisation (<i>Note 1</i>)	300,000,000	340,000,000
Pro forma adjusted net tangible asset value per Share (<i>Note 2</i>)	0.066	0.075

Notes:

- (1) The calculation of market capitalisation at the Offer Price is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue, but without taking into account of any Shares which may be issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 250,000,000 Shares in issue at the Offer Price immediately upon completion of the Share Offer and the Capitalisation Issue.

RISK FACTORS

Our Directors consider that there are certain risks and uncertainties involved in our Group’s business and operation, some of which are beyond our Group’s control. Major risks that are considered to be material to our Group include, among others, (i) our reliance on our vendors to grant us the authorisation for the distribution of IT Security Products; (ii) our historical financial conditions and results of operations may not be indicative of our future growth; (iii) the IT Security Products may be defective or fail to meet the required standards; and (iv) quality of the IT Security Products provided by our vendors is not under our control. If the IT Security Products provided by our vendors are defective or fail to meet the required standards, our business and reputation may be adversely affected; and our income is generally project-based and any decrease in the number of projects and/or demand of IT Security Solutions would affect our operations and financial results.

For details, please refer to the section headed “Risk Factors” of this prospectus.

NON-COMPLIANCES

During the Track Record Period, we did not fully comply with the laws and regulations in respect of having (i) engaged in business activities without registering a branch office and conducting tax registration in Shanghai; (ii) sold certain IT Security Products which our vendors have not obtained relevant sales licences in the PRC; and (iii) sold certain IT Security Products which contain commercial encryption features which are prohibited from selling the same in the PRC. For details, please refer to the paragraph headed “Business – Legal Proceedings and Compliance” in this prospectus.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary of Technical Terms”.

“1H2016”	the six months ended 30 September 2015
“1H2017”	the six months ended 30 September 2016
“Accountants’ Report”	the report of our reporting accountant, the text of which is set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 23 March 2017 and to become effective on the Listing Date, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Best Gear”	Best Gear Group Limited, a company incorporated in the BVI with limited liability on 18 March 2014 and an indirect wholly-owned subsidiary of the Company
“Board” or “Board of Directors”	the board of Directors
“business day(s)”	any day (other than a Saturday, and Sunday or public holidays) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“CAL”	Columns Asia Limited (瀚林亞洲有限公司), a company with limited liability incorporated in Hong Kong on 16 October 2015 and a connected person of our Company
“Capitalisation Issue”	the issue of 749,999,900 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Statutory and General Information – A. Further Information about the Company – 3. Resolutions in writing of the Shareholders passed on 23 March 2017” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and carried on by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board, being Mr. Raymond Liu
“China Jianxin”	China Jianxin Financial Services Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”	Edvance International Holdings Limited (安領國際控股有限公司), an exempted company incorporated in the Cayman Islands on 7 July 2016
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 12 December 2016, entered into by our ultimate Controlling Shareholders, namely Mr. Raymond Liu and Mr. Ashley Lo to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Parties acting in concert” of this prospectus
“connected person”	has the meaning given to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and, unless the context requires otherwise, collectively refers to Success Vision, Mr. Raymond Liu and Mr. Ashley Lo, who together will control the exercise of 30% or more of the voting rights in the general meeting of our Company immediately after the Share Offer
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Co-Lead Managers”	China Jianxin and Goldenway Investments, being the co-lead managers of the Share Offer
“Deed of Indemnity”	the deed of indemnity dated 23 March 2017 and executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set forth in the section headed “Statutory and General Information – E. Other Information” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 23 March 2017 and executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), details of which are set forth in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	director(s) of our Company

DEFINITIONS

“DRC”	the detection and response center to be set up by our Group, details of which are set forth in the section headed “Business Objectives and Future Plans” in this prospectus
“Dr. Kenny Tang”	Dr. Tang Sing Hing Kenny (鄧聲興), our non-executive Director
“Earning Gear”	Earning Gear Inc., a company incorporated in the BVI with limited liability on 3 May 2016 and wholly-owned by Dr. Kenny Tang
“Edvance Consulting (HK)”	Edvance Consulting (Hong Kong) Limited (安領諮詢(香港)有限公司), a company incorporated in Hong Kong with limited liability on 1 February 2012 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Edvance Holdings”	Edvance Holdings Limited (安領控股有限公司), a company incorporated in Hong Kong with limited liability on 14 July 2014
“Edvance Technology (HK)”	Edvance Technology (Hong Kong) Limited (安領科技(香港)有限公司), (formerly known as Edvance Limited (安領有限公司)), a company incorporated in Hong Kong with limited liability on 26 August 2002 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Edvance Technology (Macau)”	Edvance Technology (Macau) Limited (安領科技(澳門)一人有限公司), a company incorporated in Macau with limited liability on 13 May 2015 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Edvance Technology (SG)”	Edvance Technology (Singapore) Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability on 11 April 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

DEFINITIONS

“Edvance Technology (Shenzhen)”	安領科技(深圳)有限公司 (Edvance Technology (CN) Ltd*), a company incorporated in the PRC, with limited liability on 12 October 2007 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Edvance Technology (Shenzhen) First Branch”	安領科技(深圳)有限公司上海分公司 (Edvance Technology (CN) Ltd Shanghai Branch Office*), a branch office of Edvance Technology (Shenzhen) established in the PRC on 27 September 2016
“Frost & Sullivan”	Frost & Sullivan International Limited, an Independent Third Party, being an independent market research company to prepare the F&S Report
“F&S Report”	an independent market research report prepared by Frost & Sullivan on the IT Security Solutions industry in Hong Kong, the PRC, Singapore and Macau
“FY2015”	the financial year ended 31 March 2015
“FY2016”	the financial year ended 31 March 2016
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended, supplemented or otherwise modified from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include CCASS Operational Procedures
“Goldenway Investments”	Goldenway Investments (HK) Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures) and Type 3 (leveraged foreign exchange trading) regulated activities under the SFO
“Government”	the Government of Hong Kong

DEFINITIONS

“Group”, “Our Group”, “we” or “us”	our Company and its subsidiaries or, where the context refers to any time prior our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses carried on by such subsidiaries or (as the case may be) their predecessors or any of them
“HK\$”, “or “Hong Kong dollars” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Union Registrars Limited, our share registrar and transfer office in Hong Kong
“Internal Control Consultant”	SHINEWING Risk Services Limited
“Independent Third Party(ies)”	an individual or a company which is independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Latest Practicable Date”	23 March 2017, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Linking Vision”	Linking Vision Limited, a company incorporated in the BVI with limited liability on 3 May 2016 and wholly-owned by Mr. TL Lam
“Listing”	the listing of and the commencement of dealings in the Shares on GEM
“Listing Date”	the date on which dealings in our Shares on GEM first commence which is expected to be on Wednesday, 19 April 2017
“Listing Division”	the listing division of the Stock Exchange

DEFINITIONS

“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the main board of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, as amended from time to time
“Mind Bright”	Mind Bright Limited, a company incorporated in the BVI with limited liability on 2 March 2016 and wholly-owned by Mr. John Von
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mongolia”	Mongolian People’s Republic
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“Mr. Ashley Lo”	Mr. Lo Wai Ho Ashley (羅偉浩), our executive Director and one of our Controlling Shareholders
“Mr. Francis Lee”	Mr. Lee Francis Sung Kei (李崇基), our chief executive officer and executive Director
“Mr. HC Chan”	Mr. Chan Hoi Chu (陳海曙), our senior management
“Mr. John Von”	Mr. Von John (黃繼明), our executive Director
“Mr. Raymond Liu”	Mr. Liu Yui Ting Raymond (廖銳霆), our Chairman, executive Director and one of our Controlling Shareholders
“Mr. TL Lam”	Mr. Lam Tak Ling (林德齡), our executive Director
“NASDAQ”	the National Association of Securities Dealers Automated Quotations
“NDRC”	the National Development and Reform Commutation of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	the National People’s Congress of the PRC (全國人民代表大會)
“NYSE”	the New York Stock Exchange

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option to be granted by our Company under the Placing Underwriting Agreement to the Placing Underwriters, exercisable by the Sole Lead Manager (on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, at the Offer Price to, among other things, cover over-allocations (if any) in the Placing, as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Pioneer Marvel”	Pioneer Marvel Limited, a company incorporated in the BVI with limited liability on 3 May 2016 and wholly-owned by Mr. Francis Lee
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with selected professional, institutional and/or other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 new Shares (subject to reallocation and the Offer Size Adjustment Option) initially being offered by our Company at the Offer Price for subscription under the Placing subject to the terms and conditions as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing to be entered into between, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Lead Manager and the Placing Underwriters, particulars of which are summarised in the paragraph headed “Underwriting – Underwriting arrangements and expenses” in this prospectus
“PRC” or “China”	the People’s Republic of China and for the purpose of this prospectus shall exclude Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Zhong Lun Law Firm, the Company’s legal advisers as to the PRC law
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong as in force from time to time before 3 March 2014
“Pre-IPO Investment Agreement”	the agreement dated 24 June 2016 entered into between Mr. Ashley Lo and Mr. John Von as vendors and the Pre-IPO Investor as purchaser in relation to the sale and purchase of shares in Best Gear
“Pre-IPO Investor”	Earning Gear, a company incorporated in the BVI on 3 May 2016 and wholly owned by Dr. Kenny Tang
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the agreement on the Offer Price
“Price Determination Date”	the date, expected to be on or before Friday, 7 April 2017 or such later date as the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is to be fixed, but in any event not later than Friday, 7 April 2017
“Public Offer”	the issue and offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Public Offer Shares”	the 25,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this Prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting – The Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 30 March 2017 relating to the Public Offer entered into between, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Lead Manager, the Co-Lead Managers and the Public Offer Underwriters, details of which are set forth in the paragraph headed “Underwriting – Underwriting Arrangement and Expenses – The Public Offer – Public Offer Underwriting Agreement” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Securities”	any of the Shares in respect of which our Controlling Shareholder(s) is shown by this prospectus to be the beneficial owner
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as described in the section headed “History, Reorganisation and Corporate Structure” and the paragraph headed “Statutory and General Information – A. Further Information about the Company – 4. Reorganisation of our Group” in Appendix IV to this prospectus
“Reorganisation Deed”	the reorganisation deed dated 23 March 2017 entered into between Mr. Raymond Liu, Mr. Ashley Lo, Mr. TL Lam, Mr. Francis Lee, Mr. John Von, and Earning Gear as vendors, and the Company as purchaser pursuant to which the Company has acquired from the vendors all issued shares in Best Gear, details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” of this prospectus
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“Second Six-Month Period”	has the meaning ascribed to it in the paragraph headed “Underwriting – Undertakings to the Stock Exchange under the GEM Listing Rules – Undertakings by our Controlling Shareholders”
“Service Hub”	the service hub to be set up by our Group in Singapore with the intention to expand our existing operation in Singapore to serve Singapore and its neighbouring countries, details of which are set forth in the paragraph headed “Business Strategies – Expansion of our existing operation in Singapore office as our Service Hub” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, a summary of the principal terms are set out in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Share(s)”	ordinary shares with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
“Shareholder(s)”	the holder(s) of the Shares from time to time
“Share Offer”	the Public Offer and the Placing
“Singapore”	the Republic of Singapore

DEFINITIONS

“Sole Bookrunner” and “Sole Lead Manager”	Cinda International Securities Limited, a licensed corporation to conduct Type 1 (dealing in securities) regulated activities under the SFO, being the sole bookrunner and the sole lead manager of the Share Offer
“Sole Sponsor” or “Titan Financial”	Titan Financial Services Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of our Company
“substantial shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Success Vision”	Success Vision International Group Limited (成策國際集團有限公司), a company incorporated in the BVI with limited liability on 3 May 2016 and is held as to 59.2% by Mr. Raymond Liu and as to 40.8% by Mr. Ashley Lo, and one of our Controlling Shareholders
“S\$”	Singapore dollar(s), the lawful currency of Singapore
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs published by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2015, FY2016 and 1H2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “U.S.A.” or “United States”	United States of America
“USD” or “US\$”	U.S. dollar(s), the lawful currency of the United States of America

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“sq.m.” or “m ² ”	square metres
“%”	per cent.

Certain figures set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

** The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this prospectus for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

In this prospectus, certain amounts have been translated into HKD. Please refer to the paragraph “Information about this prospectus and the Share Offer – Currency conversion” in this prospectus for details.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus 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
“ERP”	the enterprise resource planning system as described under the paragraph headed “Business Objectives and Future Plans – Upgrading our management systems” of this prospectus
“firewall”	a product used to maintain the security of a private network, which blocks unauthorised access to or from private networks and are often deployed to prevent unauthorised parties from gaining access to private networks connected to the internet
“hacking”	unauthorised intrusion into a computer or a network, which may result in altered system or security features to accomplish a goal that differs from the original purpose
“hardware”	the collection of physical components that constitute a computer system
“IT”	information technology
“IT Security”	IT Security, also known as cyber security or computer security, is to safeguard IT systems including hardware, software and information from disclosure, damage as well as disruption and misdirection
“IT Security Products”	hardware or software manufactured or developed for the protection of computer systems from theft or damage to the hardware, software or the information therein, as well as from disruption or misdirection of the services they provide. In the context of our Group, “IT Security Products” includes (i) network security products; (ii) system security products; and (iii) application and data security products

GLOSSARY OF TECHNICAL TERMS

“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. In the context of our Group, Frost & Sullivan confirmed that the definition of “IT Security Solutions” is consistent with the industry norm
“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
“penetration testing”	testing through a series of simulated attacks on a computer system for identifying security weaknesses
“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
“traffic”	the flow of data across the network
“user acceptance testing”	formal testing to determine whether or not a system meets the requirements specified in the contract or by the end user

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that its plans or objectives will be achieved. If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, our financial conditions may be materially and adversely affected and actual outcomes may differ materially from those described in this prospectus as anticipated, believed, estimated or expected. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;

FORWARD-LOOKING STATEMENTS

- the other factors referenced in this prospectus, including without limitation, under the sections headed “Risk Factors”, “Business” and “Financial Information”;
- certain statements in the section headed “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other factors beyond our control.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial condition and operating results of our Group. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on our vendors to grant us the authorisation for the distribution of IT Security Products, and the expiry of, failure to renew and/or interruption of any of them would have a material adverse effect on our operations and financial results

As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 19 international vendors. Our master agreements with our vendors typically range from at least one year and will be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement. There is no assurance that these vendors will not partner with other distributors, enter into exclusive agreement with another distributor, conduct acquisition or merger activities which may lead to a change of focus of the vendors' product line or these agreements will be terminated or not renewed, extended upon expiry or continued without interruption. If the relevant distributorships are terminated, not renewed or extended or are subsequently interrupted, and we fail to identify suitable alternative sources in time or at all, our business, results of operations and profitability may be adversely affected.

Our historical financial conditions and results of operations may not be indicative of our future growth

For FY2015, FY2016 and 1H2017, our revenue was approximately HK\$125.5 million, HK\$177.0 million and HK\$102.1 million, respectively, with our net profit of approximately HK\$5.1 million, HK\$14.7 million and HK\$4.8 million for the respective periods. For the same periods, our gross profit was approximately HK\$37.5 million, HK\$53.2 million and HK\$27.1 million, respectively, with our overall gross profit margin was approximately 29.9%, 30.1% and 26.5%, respectively. For details, please refer to the paragraphs headed "Financial Information – Description of Selected Income Statement Line Items – Gross Profit and Gross Profit Margin" and "Financial Information – Period to Period Comparison of Result of Our Operations" in this prospectus.

RISK FACTORS

We may not be able to sustain our historical growth rate, revenue and profit margin during the Track Record Period for various reasons, including but not limited to, intensification of competition among IT Security Solutions distributors, fluctuations on the costs of hardware and/or software components and other unforeseen factors such as reduced number of customers and/or reduced profit margin of the IT Security Products and/or IT Security Services. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

Quality of the IT Security Products provided by our vendors is not under our control. If the IT Security Products provided by our vendors are defective or fail to meet the required standards, our business and reputation may be adversely affected

We source from our vendors a variety of hardware and software as part of the IT Security Products offered to our customers, which accounted for approximately 63.2%, 64.5% and 60.2% of our cost of sales for FY2015, FY2016 and 1H2017, respectively. Although our vendors generally warrant that the product will perform in accordance with its product specifications for a certain period upon delivery, such IT Security Products may have coding, design or manufacturing defects or errors that may impair our customers' operation or cause malfunctions. There may also be compatibility issues between the hardware and software we source from our vendors and our customers' existing IT environment. There is no assurance that we would be able to detect and resolve these defects and errors in a timely manner or at all, and our business and reputation may be adversely affected.

We may also be vicariously liable to legal proceedings initiated by the aggrieved customers in respect of the products defects. In such event, we may need to incur additional costs to settle or defend these claims or legal actions which could have material adverse effects on our reputation and financial conditions. Although we may be able to recover the aforementioned additional costs from our vendors who have provided such products by way of legal proceedings against such vendor, there is no assurance that we will succeed in such proceedings and we may incur further additional costs which could have material adverse effects on our financial conditions.

Our income from the provision of IT Security Solutions is generally project-based and any decrease in the number of projects and/or demand of IT Security Solutions would affect our operations and financial results

Our income is primarily generated from the distribution of IT Security Products and the provision of IT Security Services. Apart from the maintenance and support services under our IT Security Services, our engagements with our customers are generally project-based. Once a project is completed, our customers may subsequently engage us for IT Security Services and/or purchase new IT Security Products from us for enhancement or upgrades. However, there is no assurance that our customers will continue to engage us with new business after completion of a project and that our maintenance and support services contracts will be renewed.

RISK FACTORS

There is no assurance that we can conclude similar number of projects, and projects with similar sales amount in the future. In the event that we are unable to renew the existing contracts or purchase orders or secure new ones, our business and future revenue will be adversely affected.

We may encounter cost overruns or delays in the completion of our IT Security Solutions projects, which may materially and adversely affect our business, financial position and results of operation

The IT Security Solutions that our Group provides are generally implemented as part of the end-users' overall IT infrastructure project. As such, our Group is typically required to complete these projects according to a pre-agreed master schedule to ensure the integration work to be completed as planned. If our Group fails to complete the IT Security Solutions projects on schedule, or if there is any material disruption to the supply and/or delay in delivery of IT Security Products from our vendors, our Group may be exposed to potential claims and liquidated damages. Such claims for liquidated damages may be at an agreed rate for each day or part of a day for such delay from our customers. Failure to meet the scheduled requirements of our projects may result in a significant number of liquidated damages claims, other contractual liabilities and disputes with our customers or even termination of our engagement.

The actual time taken and costs incurred by us in completing our IT Security Solutions projects may be affected by various factors, including technical difficulties, compatibility between different products or other unforeseeable circumstances. There is no assurance that the actual time taken and costs incurred would not exceed our estimation which expose us to cost overruns and resulting in material adverse effect on our business, financial position and result of operation.

We may experience weak liquidity as we had recorded negative cash flow from our operating activities in the past

For 1H2017, we recorded negative cash flow from our operating activities of approximately HK\$2.3 million, which was mainly due to (i) the decrease in profit before taxation primarily resulted from the Listing expenses of approximately of HK\$2.5 million incurred during the period; and (ii) the changes resulted from the movements in working capital, in particular, the increase in trade and other receivables, prepayments and deposits of approximately HK\$15.8 million mainly due to the increase in trade receivables, prepayment to suppliers for maintenance and support services and deferred Listing expenses.

Please refer to the paragraph headed "Financial information – Liquidity and Capital Resources – Cash flows" in this prospectus for a more detailed discussion. There is no assurance that we will not experience another period of negative cash flow from our operating activities in the future.

RISK FACTORS

We are exposed to credit risk from our customers and may be exposed to delays and/or defaults of progress payments by our customers which would adversely affect our cash flows and financial results

Our sales are generally made on credit and we generally grant a credit period of 30 to 60 days to our customers upon issuance of our invoices. As at 31 March 2015, 31 March 2016 and 30 September 2016, we recorded trade receivables of approximately HK\$21.4 million, HK\$37.5 million and HK\$40.6 million, of which approximately HK\$8.3 million, HK\$9.6 million and HK\$20.0 million of our trade receivables were past due but not impaired, respectively. For FY2015, FY2016 and 1H2017, our average trade receivables turnover days were approximately 55 days, 61 days and 70 days, respectively. For further details, please refer to the paragraph headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and other receivables, prepayments and deposits – Trade receivables” in this prospectus. On the other hand, our vendors generally grant us a credit period of 30 days to 60 days upon issuance of invoices. As at 31 March 2015, 31 March 2016 and 30 September 2016, our trade payables were approximately HK\$10.4 million, HK\$25.9 million and HK\$18.4 million, with our average trade payables turnover days was approximately 35 days, 54 days and 54 days for FY2015, FY2016 and 1H2017, respectively.

In case we encounter significant delays or defaults in payment by our customers or are otherwise unable to recover our trade receivables, our Group may experience cash flow deficit which may materially and adversely affect the financial conditions and results of operations of our Group.

We are exposed to potential liabilities for damages or injuries caused by our negligent acts or omissions in providing our IT Security Solutions

In order to provide our IT Security Solutions, our staff may be required to work at the premises of the customers and thus may face claims or legal actions brought by our customers for damages caused by the negligent conduct or fault of our staff. In such event, we may need to incur additional costs to settle or defend these claims or legal actions and our operations may be adversely affected as a result.

Further, many of the IT Security Solutions provided by us forms a critical part of the operations of our customer’s businesses and any defects or errors in these solutions we provided could affect our customers’ operations. Although our IT Security Solutions typically run through user acceptance testing before final launch, there is no assurance that all the bugs, errors or flaws in our IT Security Solutions have been detected and corrected. Some of our contracts require us to indemnify the customers from any claims, loss and damages, attributable to our negligent acts or omissions, resulting in any personal injury, loss to property, infringement of intellectual property rights, or leakage of confidential information. As at the Latest Practicable Date, we have purchased IT-related liability insurance to cover losses which our Group is liable to pay in respect of a claim alleging an act, error or omission by us in the course of provision of our IT Security Solutions. However, if any material losses, damages or liabilities fall outside the scope and/or limit of the insurance coverage, we shall be responsible for such damages or losses, which will adversely affect our financial results and business operation. In addition, should any of our customers make claims against us for such loss or damages, our financial results and business operation would be adversely affected.

RISK FACTORS

We rely on our senior management team and on our ability to retain and recruit eligible employees. If we fail to retain them or find suitable replacement, our business operation and financial results may be adversely affected

Our performance depends upon the continuing service of our senior management team which includes our executive Directors, namely Mr. Raymond Liu, Mr. Francis Lee, Mr. Ashley Lo, Mr. John Von and Mr. TL Lam. Our five executive directors collectively have an average of approximately 20 years of experience in IT-related fields while our senior management have an average of approximately 18 years of related experience and have obtained relevant academic qualifications. Further information about our management's experiences are set out in the section headed "Directors, Senior Management and Employees" in this prospectus. Our success will, to a certain extent, depend on whether we can continue to retain our Directors and senior management team and attract or retain other key personnel. In case we lose the services of any member of our Directors and senior management team, or if we fail to replace any loss of such person with alternative personnel with similar expertise and experience, our business, results of operations, financial condition and future prospects could be adversely affected.

Furthermore, approximately 41.4%, 39.6% and 44.2% of our total revenue were derived from the IT Security Services business segment for FY2015, FY2016 and 1H2017, respectively. Hence it is necessary for us to retain and recruit employees with necessary knowledge and qualifications. Some of our technical staff have obtained technical certification from our vendors to equip themselves with the technicality and knowledge of the IT Security Products distributed by us, any loss of such employees may result in additional cost to be incurred to train up new employees to familiarise themselves with the IT Security Products which we distribute and may also adversely affect the quality of our IT Security Services delivered to our customers.

We may not be able to successfully implement our strategies or achieve our business objectives, which may materially and adversely affect our operating results and financial positions

Our Group's future business growth primarily depends on the successful achievement of our business objectives and implementation of our business strategies and future plans as set out in the paragraph headed "Business – Business Strategies" and the section headed "Business Objectives and Future Plans" in this prospectus. These business objectives are based on the existing plans and intentions of our Group, most of which are based on the development trend of the IT Security Solutions industry currently known to our Directors and a number of basis and assumptions, details of which are set out in the paragraph headed "Business Objectives and Future Plans – Basis and Assumptions" in this prospectus and are therefore subject to high degree of risks and uncertainties. As such, there is no assurance that our Group's business objectives, business strategies and future plans will be accomplished, whether in whole or in part or be implemented within the estimated timeline. In the event that our Group's future plans are not implemented and our business objectives are not accomplished, our Group's business, profitability and financial positions in the future may be materially and adversely affected.

RISK FACTORS

Furthermore, our Group's future business plans may be hindered by other factors such as:

- an increase in rental expenses for our new headquarters in Hong Kong;
- an increase in the depreciation charges as a result of our investment in property and equipment;
- an increase in staff costs when we recruit more employees in Hong Kong and Singapore in line with our future expansion plan.

The above factors may expose us to potential risks and challenges which may adversely affect the financial positions and the profitability of our Group in the future.

Therefore, there is no assurance that our Group's future business plans will be materialised, or that our Group's business objectives will be fully or partially accomplished.

Any enforcement action taken against us for non-compliances may adversely affect our business, operating results and reputation

We had certain non-compliances in the PRC during the Track Record Period including, among others, having (i) engaged in business activities without registering a branch office and conducting tax registration in Shanghai; (ii) sold certain IT Security Products of which the relevant vendors have not obtained relevant sales licences in the PRC; and (iii) sold certain IT Security Products which contain commercial encryption features which are prohibited from selling the same in the PRC. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include confiscation of proceeds derived from such business activities in Shanghai and the sales of such IT Security Products and administrative penalties be imposed on the relevant member of our Group.

In relation to the non-compliance item (i) above and in worst case scenario, we may be subject to a maximum fine up to RMB510,000 and the confiscating of the illegal proceeds obtained from such non-compliance amounting up to approximately RMB1.7 million (equivalent to approximately HK\$2.0 million). In relation to the non-compliance items (ii) and (iii) above and in worst case scenario, we may be subject to (a) a monetary fine up to RMB15,000; (b) confiscation of illegal proceeds obtained from such non-compliance, amounting up to approximately HK\$0.5 million; and (c) a monetary fine of up to 3 times of (b) above, amounting to approximately HK\$1.8 million. Notwithstanding that the relevant products has failed to obtain sales license and categorised as encryption products manufactured in foreign countries, as advised by our PRC Legal Advisers, since both arise from the same act of our Company, i.e. sale of the Relevant Products, our Company shall only be fined once. Hence our Group has duly made provision for the penalty charges arising of approximately HK\$1.8 million in relation to the non-compliance items (ii) and (iii).

RISK FACTORS

For further details, please refer to the paragraph headed “Business – Legal Proceedings and Compliance” in this prospectus. If any of the government authorities takes enforcement action against us for any part of the non-compliance incidents, we may be ordered to pay penalties, incur legal expenses arising from any potential legal action brought against us and may result in business disruption and/or negative media coverage, which may adversely affect our business, operating results and reputation.

Currency fluctuation may adversely affect our revenues and costs

We are exposed to currency risk as we have operations in multiple jurisdictions using different currencies, as our purchases are mainly transacted in US\$ and our sales are mainly transacted in HK\$. During the Track Record Period, our Group recorded net foreign exchange losses of approximately HK\$284,000 and HK\$881,000 for FY2015 and FY2016, respectively and net foreign exchange gain of approximately HK\$58,000 for 1H2017. We also engage in investment activities, and as a result, devaluation of the US\$ against HK\$ may also cause us to incur losses under our foreign currency forward contract and reduce our profit margin and overall profitability. During FY2016 and 1H2017, we recorded fair value loss of approximately HK\$303,000 and fair value gain of approximately HK\$144,000. For details, please refer to the paragraph headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Derivative Financial Instruments” in this prospectus. Modification of exchange rate policies in jurisdictions which we have operations in could also result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls, or the withholding of additional financial assistance by the banks and other financial institutions which may result in reduction of economic activities, economic recession, loan defaults and increase in the price of imports. Any occurrence of the foregoing events could materially and adversely affect our business, financial condition, results of operations and prospects.

RISK RELATING TO OUR INDUSTRY

We operate in a competitive industry, and we cannot assure you that we will be able to compete successfully

The IT Security Solutions industry in which we operate is competitive, details of which please refer to the paragraph headed “Business – Market and Competition” in this prospectus. Additional competitors with significant market presence and adequate financial resources may enter the IT Security Solutions market, and thereby increase the competition.

Our market position depends on our ability to anticipate and respond to various factors in a timely manner, including technical expertise, responsiveness to our customers’ preference and requirements and completion of relevant contracts to meet our customers’ schedules. There can be no assurance that the competition in the IT Security Solutions industry will not increase in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Our failure to keep abreast of the latest market developments in the IT Security Solutions industry and IT technological changes may drive us out of competition

The IT Security Solutions industry is characterised by rapidly changing IT technology, changing customer preferences and frequent introduction of new IT Security Solutions. Our future success will depend, in part, on our ability to (i) adapt to rapidly changing technologies; (ii) continuously improve the know-how of our staff in response to technological advances and changes; (iii) accumulate in-depth knowledge of the features and functionalities of the IT Security Products; and (iv) identify new vendors of IT Security Products that can broaden our portfolio of IT Security Products to meet the requirements and preferences of our customers. If we fail to keep up with the future development trends or keep updates on IT technological changes and introduction of new IT Security Solutions, our ability to respond effectively to customer demands may be adversely affected, which may undermine our Group's future development and have an adverse impact on our Group's business and financial results.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

Economic, political and social conditions, as well as government policies in the PRC could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our revenue attributable from the PRC was approximately HK\$11.1 million, HK\$23.8 million and HK\$8.9 million for FY2015, FY2016 and 1H2017 respectively, representing approximately 8.8%, 13.4% and 8.7% of our total revenue, respectively. For details, please refer to the paragraph headed "Business – Customers" in this prospectus. The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. For example, the PRC government also exercises significant control over economic growth by allocating resources, setting fiscal and monetary policy and providing preferential treatment to particular industries or companies. Therefore, any significant change to the political, economic and social environments, as well as government policies of the PRC may materially and adversely affect our business, financial condition, results of operations and prospects.

We may be adversely affected by the complexity, uncertainties and changes in the laws and regulations in relation to computer information system security in the PRC

Pursuant to the Network Security Law of the PRC (《中華人民共和國網絡安全法》) promulgated by the SCNPC on 7 November 2016, which will become effective on 1 June 2017, the PRC government will formulate national and industrial standards for network products and services. Network products and services must comply with compulsory requirements of the relevant national standards. Providers of network products and services shall take remedial measures upon discovering security defects in network products and services, and shall report the defects to users and relevant government agencies. Providers of network products and services

RISK FACTORS

shall provide continuous maintenance for their products and services within the time period specified by law or as otherwise agreed by the parties. The PRC government will also publish a catalogue setting out critical network equipment and special products for network security. The equipment and products set out in the catalogue can only be sold or supplied after passing certification and examination processes carried out by qualified institutions. Before this law becomes effective on 1 June 2017, more detailed implementation rules are expected to be published.

Under the Safety Protection of Computer Information System Regulations of the PRC (《中華人民共和國計算機信息系統安全保護條例》), which was promulgated by the State Council on 18 February 1994 and last amended and became effective on 8 January 2011, pursuant to which the PRC government will implement a license system with respect to the sale of special products for protecting the safety of computer information system.

According to the Administrative Measures for Testing and Selling License of Special Products Used for the Safety of Computer Information Systems (《計算機信息系統安全專用產品檢測和銷售許可證管理辦法》)(the “**Administrative Measures**”) promulgated by the Ministry of Public Security and became effective on 12 December 1997, manufacturers of special hardware or software products for protecting the safety of computer information system are required to obtain relevant sales license in respect of the products prior to selling the same in the market (“**Sales License**”), no person is allowed to sell special hardware or software products for protecting the safety of computer information system which have not been granted the Sales License.

Pursuant to the Regulation of Commercial Encryption Codes of the PRC (《中華人民共和國商用密碼管理條例》) (“**Commercial Encryption Codes Regulation**”), which was promulgated by the State Council and became effective on 7 October 1999, import of encryption products or equipment containing encryption technologies must be approved by State Administration for Encryption Codes. And no person or corporate entity is allowed to sell any encryption products manufactured in foreign countries.

As advised by our PRC Legal Advisers, during the Track Record Period, Edvance Technology (Shenzhen) has (i) sold certain IT Security Products which contain commercial encryption features which are prohibited to be sold in the PRC; and (ii) sold such products which its vendor have not obtained relevant Sales Licenses. Hence, Edvance Technology (Shenzhen) may be imposed penalties or fine relating to the relevant proceeds derived from the sales of the such products by the relevant government authority in the PRC. For further details, please refer to the paragraph headed “Business – Legal Proceedings and Compliance” in this prospectus.

RISK FACTORS

Notwithstanding we have already made provision for the potential penalties levied by the relevant PRC government authorities, in situation where we are penalised by the relevant PRC government authorities, it could also lead to reputational loss and adversely affect our Group's revenue derived from the PRC market.

Going forward, if vendors of any IT Security Products currently distributed by us fail to maintain valid Sales Licenses, or if any of our new vendors have not obtained the relevant Sales Licenses or carried products that are prohibited to be distributed in the PRC, this could adversely affect our Group's business operation in the PRC and could lead us to be penalised by the relevant government authorities which in turn affect our Group's overall profitability.

Given the uncertainty and complexity of the PRC laws and regulations on computer information system security and special products used for the security of computer information systems, products distributed by us in the future maybe required to obtain licences or we may be found to be in violation of the laws and regulations in the PRC. Any change in the PRC laws and regulations may therefore significantly disrupt our operations in the PRC and materially and adversely affect our business, results of operations and financial conditions in the PRC.

Any changes to the PRC government policies regarding foreign investments in the PRC may adversely affect our Group's business, financial condition and results of operations

Foreign investments are subject to foreign investment policies and laws of the PRC. Under the Guidance Catalogue of Industries for Foreign Investment (2015 Version) (《外商投資產業指導目錄(2015年修訂)》) (the “**Catalogue**”), which was jointly issued by the MOFCOM and NDRC in 1995, as amended in 1997, 2002, 2004, 2007, 2011 and 2015, the Group's business of “provision of IT Security Solutions” does not fall under the prohibited or the restricted categories for foreign investments. There is no assurance that the Group's business would not fall under such prohibited or restricted categories subsequent to any change to the foreign investment policies and laws of the PRC or that our Group could not be subject to more stringent restrictions on its operation and business, which may adversely affect its financial condition and results of operations.

RISKS RELATING TO OTHER JURISDICTIONS IN WHICH WE OPERATE

We face risks associated with our operations in other jurisdictions

We operate in various other jurisdictions including Macau and Singapore. Our business, financial condition and results of operations are subject to risks and uncertainties relating to the relevant countries in which we operate, including:

- exposure to international, regional and local economic and political conditions and regulatory policies;
- changes in legal developments and enforcement risks;

RISK FACTORS

- control of foreign exchange and fluctuations in foreign exchange rate;
- inflation;
- developments in labour law and increase in labour cost; and
- restrictions or requirements relating to foreign investment.

RISKS RELATING TO THE SHARE OFFER

Termination of the Public Offer Underwriting Agreement

Prospective investors should note that the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) is entitled, in its sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” of this prospectus at any time prior to 8: 00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics.

There has been no prior public market for the Shares and an active trading market may not develop

Prior to the Listing, there has not been a public market for the Shares. Our Company has applied for listing of the Shares on GEM. However, there is no assurance that the Listing will result in the development of an active public market for the Shares or that the market price of the Shares will not decline below their initial Offer Price. The Offer Price will be determined through negotiations between our Company and the Sole Lead Manager and it may not be indicative of the market price of the Shares after the Share Offer is completed. You may be unable to resell your Shares at or above the Offer Price, and as a result, may lose all or part of your investment in such Shares.

The trading price of the Shares may be volatile

The price at which the Shares will trade after the Share Offer may fluctuate substantially as a result of many factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts’ estimates, if any, of our financial performance;

RISK FACTORS

- acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations of exchange rates between the HK dollars or other foreign currencies; and
- general market conditions or other developments affecting us or our industry.

In addition, shares of the companies listed on the Stock Exchange has from time to time experienced significant price and volume fluctuations which are not related to the operating performance of the companies listed on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of the Shares, regardless of our operating performance or prospects.

We may not be able to pay any dividends on the Shares

Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. Our Company can also pay dividends out of the share premium with the approval of our Shareholders and subject to a statutory solvency test. There can be no assurance that we will be able to declare or distribute any dividend or at all in the future. The dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review.

Future financing may cause a dilution in the shareholding or place restrictions on our operations

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and

RISK FACTORS

- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Issue of new Shares under the Share Option Scheme or issue of additional Shares will have a dilution effect and may affect our Group's profitability

You may experience dilution to the extent that the Shares are issued upon exercise of options pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance expansions of our operations or new acquisitions. If additional funds are raised through issuance of new Shares or other securities that may be converted into the Shares other than on a pro rata basis to our existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilutions. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Sale or perceived sale of substantial amounts of the Shares in the public market by our Controlling Shareholders after the Share Offer could adversely affect the prevailing market price of the Shares

We cannot guarantee you that our Controlling Shareholders will not dispose of our Shares following the expiration of their respective lock-up periods after the Listing Date. Our Group cannot predict the effect, if any, of any future disposal of Shares by any of our Controlling Shareholders, or that the Shares held by our Controlling Shareholders are available for purchase in the market may have on the market price of our Shares. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares. In addition, these disposals may make it more difficult for our Company to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise further capital.

Our Shareholders may experience difficulties in protecting their interests because we are a Cayman Islands company

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of the Company are governed by the Memorandum and Articles, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary responsibilities of the Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands.

RISK FACTORS

The rights of the Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, our Directors or major Shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

RISK RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from official government sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any material information has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus could be inaccurate or there is a risk that they are not comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that the facts and other statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

RISK FACTORS

Forward-looking statements in this prospectus could prove inaccurate

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautions against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

You should read this entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually take full responsibility, includes particulars given in compliance with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and is neither misleading nor deceptive;
- (b) there are no other matters the omission of which would render any statement herein or this prospectus as a whole misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall likewise not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of the respective directors, officers, agents, employees and/or representatives or any other person or parties involved in the Share Offer.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. The Listing is sponsored by the Sole Sponsor. The Share Offer is managed by the Sole Lead Manager. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters). The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by the Price Determination Agreement between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently scheduled to be on or before Friday, 7 April 2017 or such later date as the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company may agree but in any event not later than Friday, 7 April 2017. If, for whatever reason, the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to agree on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse. For information relating to the determination of the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

SELLING RESTRICTIONS

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

APPLICATION FOR THE LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue on GEM and the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme. Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 250,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company, will be in the hands of the public immediately following the completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and upon Listing. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused prior to the expiration of three weeks from the date of the closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 19 April 2017.

Shares will be traded in board lots of 10,000 Shares each and are freely transferrable. The stock code of the Shares is 8410.

Our Company will not issue any temporary document of title.

OFFER SIZE ADJUSTMENT OPTION

Details of the Offer Size Adjustment Option are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

HONG KONG SHARE REGISTRAR AND STAMP DUTY

All of the Shares will be registered in our Company’s branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong. Only securities registered on the register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange agrees otherwise.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or for joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in our Shares or exercising their rights thereunder. It is emphasised that none of our Group, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in our Shares.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated from Chinese into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in the prospectus and their English translations, the Chinese names shall prevail.

CURRENCY CONVERSION

Unless otherwise specified, translations of US\$ and RMB into HK\$ in this prospectus are based on the exchange rates set out below:

US\$1.0 = HK\$7.8

RMB1.0 = HK\$1.13

Such conversions shall not be construed as representations that any amount of such currencies can be or could have been converted at the relevant dates and vice versa at such rates or any other exchange rates or at all.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Liu Yui Ting Raymond (廖銳霆)	Flat C, 9/F., Tower 3 Providence Bay 5 Fo Chun Road Science Park New Territories Hong Kong	Chinese
Mr. Lee Francis Sung Kei (李崇基)	Flat A, 9/F., Block 11 Charming Garden 8 Hoi Ting Road Kowloon Hong Kong	Chinese
Mr. Lo Wai Ho Ashley (羅偉浩)	Flat B, 3/F. Mandarin Villa 10 Shiu Fai Terrace Stubbs Road Wanchai Hong Kong	Canadian
Mr. Von John (黃繼明)	Flat C, 20/F. Carmel Heights Belair Gardens Shatin New Territories Hong Kong	Chinese
Mr. Lam Tak Ling (林德齡)	Flat A, 46/F., Block 3A Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong	Chinese

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

Non-executive Director

Dr. Tang Sing Hing Kenny (鄧聲興)	Flat D, 12/F, Block 15 The Cairnhill 108 Route Twisk Tsuen Wan New Territories Hong Kong	Chinese
-----------------------------------	---	---------

Independent non-executive Directors

Mr. Yu Kwok Chun Raymond (余國俊)	Flat 1297, 12/F, Block 18 Hong Kong Parkview 88 Tai Tam Reservoir Road Tai Tam Hong Kong	Chinese
-----------------------------------	--	---------

Mr. Ng Tsz Fung Jimmy (吳子豐)	Flat 32D, Tower 1, Metrotown 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
--------------------------------	---	---------

Mr. Chan Siu Ming Simon (陳兆銘)	Flat A, 11/F, Tower 1 The Belcher's 89 Pokfulam Road Pokfulam Hong Kong	Chinese
----------------------------------	---	---------

SENIOR MANAGEMENT

Mr. Chan Hoi Chu (陳海曙)	Flat 207, 2/F, Block 41 Heng Fa Chuen Chai Wan Hong Kong	Chinese
---------------------------	---	---------

Mr. Tang Sui Cheong (鄧瑞昌)	Flat 2, 24/F, Block C On Kay Court 20 Chun Wah Road Ngau Tau Kok Kowloon Hong Kong	Chinese
------------------------------	---	---------

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

Mr. Chow Yuen Wai (鄒遠威)	Flat 2109, 21/F Heng Fu House Tin Heng Estate Tin Shui Wai New Territories Hong Kong	Chinese
Ms. Law Wai Chi (羅偉慈)	Flat D, 7/F Marple Court 41 Broadcast Drive Kowloon Hong Kong	Chinese

For further information of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Titan Financial Services Limited

A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Suites 3201-02, 32/F
COSCO Tower, Grand Millennium Plaza
183 Queens’s Road Central
Central, Hong Kong

Sole Bookrunner and Sole Lead Manager

Cinda International Securities Limited

A corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO

45th Floor, COSCO Tower
183 Queen’s Road Central
Central, Hong Kong

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

Locke Lord

Solicitors, Hong Kong
21/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

As to PRC law:

Zhong Lun Law Firm

Level 10 & 11, Two IFC
No. 8 Century Avenue
Pudong New Area, Shanghai
PRC

As to Macau law:

Chio Tak Wo, Advogado

Av. Dr. Rodrigo Rodrigues, No. 600E
Edif. First International Centre
21^o andar, sala 2106-2107
Macau

As to Singapore law:

Rajah & Tann Singapore LLP

9 Battery Road #25-01
Straits Trading Building
Singapore

As to Cayman Islands law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> P. C. Woo & Co. <i>Solicitors, Hong Kong</i> 12th Floor, Prince's Building 10 Chater Road Central Hong Kong</p> <p><i>As to PRC law:</i> Jingtian & Gongcheng Law Firm Room 3407, Shenzhen Stock Exchange Square 2012 Shennan Blvd, Futian District Shenzhen PRC</p>
Auditors and reporting accountants	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F., One Pacific Place 88 Queensway Hong Kong</p>
Industry consultant	<p>Frost & Sullivan International Limited 1706, One Exchange Square 8 Connanght Place Central Hong Kong</p>
Internal control consultant	<p>SHINEWING Risk Services Limited 43/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong</p>
Receiving bank	<p>Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong</p>

CORPORATE INFORMATION

Registered office in the Cayman Islands	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
Company secretary	Ms. Wong Man Shan Joyce (王敏珊) (HKICPA) Flat LD, 32/F., Block 6 The Capitol of Lohas Park Tseung Kwan O New Territories Hong Kong
Authorised representatives	Mr. Von John (黃繼明) Flat C, 20/F. Carmel Heights Belair Gardens Shatin New Territories Hong Kong Ms. Wong Man Shan Joyce (王敏珊) Flat LD, 32/F., Block 6 The Capitol of Lohas Park Tseung Kwan O New Territories Hong Kong
Audit Committee	Mr. Ng Tsz Fung Jimmy (吳子豐) (Chairman) Mr. Chan Siu Ming Simon (陳兆銘) Mr. Yu Kwok Chun Raymond (余國俊)
Remuneration Committee	Mr. Yu Kwok Chun Raymond (余國俊) (Chairman) Mr. Chan Siu Ming Simon (陳兆銘) Mr. Ng Tsz Fung Jimmy (吳子豐) Mr. Liu Yui Ting Raymond (廖銳霆)

CORPORATE INFORMATION

Nomination Committee	Mr. Chan Siu Ming Simon (陳兆銘) (<i>Chairman</i>) Mr. Ng Tsz Fung Jimmy (吳子豐) Mr. Yu Kwok Chun Raymond (余國俊) Mr. Liu Yui Ting Raymond (廖銳霆)
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
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
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 <i>(information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that would render the information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, or any of their affiliates or advisers, nor any other party involved in the Share Offer and no representation is given as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm, to prepare a report on the IT Security Solutions market in Hong Kong, the PRC, Singapore and Macau. The F&S Report is issued independently without influence from us and received a total fee of HK\$590,000 for the research and preparation of the F&S Report.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included desktop research and trade interviews. Desktop research involves information integration of data and publication from publicly available resources, including official data and announcements from Chinese government agencies, and market research on industry and enterprise player information. Trade interviews were conducted with industry participants across the industry chain and relevant institutions to obtain objective and factual data and prospective predictions.

Basis and assumptions

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environment in Hong Kong, the PRC, Singapore and Macau is likely to remain stable in the forecast period; and (ii) key industry drivers, such as governmental policy and demand generated are likely to continue to drive the growth of the IT Security Solutions in Hong Kong, the PRC, Singapore and Macau in the forecast period.

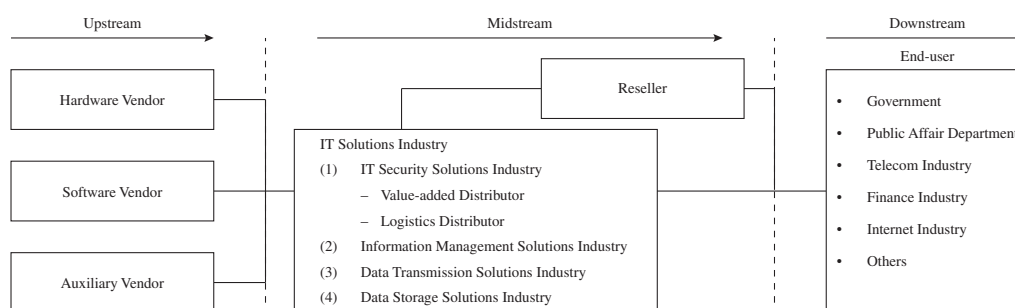
INDUSTRY OVERVIEW

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE IT SECURITY SOLUTIONS INDUSTRY

The IT Solutions industry includes companies which address the specific IT-related problems or needs of customers through the combination of electronic equipment and corresponding value-added services, such as data storage, transmission, retrieval, manipulation, etc. The IT Security Solutions industry, which includes companies that provide different types of IT Security Solutions, is a sub-segment of the IT Solutions industry. The IT Security Solutions industry aims to provide protection for valuable information and data from cyber-attack through IT Security Products including hardware and software and IT Security Services.

The relationship of the IT Solutions industry and its major sub-segments together with the supply chain of the IT Security Solutions industry is as follows:



Supply chain of the IT Security Solutions Industry

Upstream: Hardware vendor, software vendor and auxiliary vendor. The key roles of these vendors include providing standard hardware, software and auxiliary support, and guaranteeing the normal running of these products. These upstream vendors provide standard products to midstream players as well as the warranty services of its products to end-users.

Midstream: IT Security Solutions distributor and reseller. They improve and integrate standard products to customised ones, provide other value-added services and finally deliver the IT Solutions to end-users.

INDUSTRY OVERVIEW

IT Security Solutions distributor includes value-added distributor and logistics distributor. The valued-added distributor provides valued-added services such as (i) technical implementation services; (ii) maintenance and support services; and (iii) consulting services to satisfy the needs of the resellers and/or end-users. In brief, the key roles of valued-added distributor include supporting upstream vendors to penetrate the local market, integrating the standard products from upstream vendors into customised solutions for downstream end-users, providing necessary valued-added services that upstream vendors cannot provide including technical implementation services, maintenance and support services, consulting services, etc. Under these circumstances, valued-added distributor plays a very important role in connecting upstream vendors and downstream end-users by integrating different IT Security Products from different vendors to form an IT Security Solutions to satisfy the needs of the resellers and/or end-users and ensure customers understand how to apply the IT Security Solutions by providing training and support. Unlike value-added distributor, logistics distributor only provides logistics services for the distribution of IT Security Products to resellers and/or end-users without providing any value-added services. It is an industry norm for vendors to sign non-exclusive distributorship agreement with IT Security Solutions distributors because (1) different resellers have different credit terms and payment terms, so distributor can provide a better administrative management for vendors in terms of payment collection; (2) distributor have an IT Security Product mix which can create product synergy for the products manufactured by vendors, e.g ensuring smooth integration between different products, so from vendor's perspective, such product synergy will assist them to promote their products and enhance market penetration; (3) distributor generally have soft sales target committing to vendor, which helps distributor to maintain good business relationship with vendor; (4) for vendors which do not have local presence, it would be more cost efficient for them to engage local distributor who are more familiar with the market and with existing customer network and manpower to assist the vendor to provide local maintenance and support services to the customers, which in turn incentivize the customer to use new IT Security Product.

Reseller is a company that purchases IT Security Products and/or IT Security Services from IT Security Solutions distributor and incorporates the same to form part of its overall IT Solutions to be delivered to the end-users according to their needs. Generally speaking, reseller plays a role in generating sales opportunities through leveraging their established networks with end-users which are generally sizeable enterprises in different sectors.

INDUSTRY OVERVIEW

It is also an industry norm for resellers to procure products through distributors rather than from vendors directly due to (i) the distributors focus more specifically on IT Security aspect while resellers are generally responsible for providing the overall IT Solutions to the end-users; (ii) distributors generally own more in-depth technical knowledge in relation to IT Security Products due to training and/or certification provided by the vendors and have a product mix, which could create product synergies between different products sourced from different vendors, so that reseller can get compatible IT Security Products they needed from one distributor instead of having to source and find each product by themselves; (iii) it would be inefficient on an administrative level for resellers to engage different vendors which have different credit terms, delivery term and payment term for one IT Solution project; and (iv) vendors usually do not have a local presence, while distributors have resources to provide timely on-site maintenance and support services to the end-users when needed.

Downstream: End-users of IT Security Solutions, mainly referring to governments, military, telecom industry, finance industry and internet industry, etc. One major role of end-users is to provide feedbacks for distributors to report to upstream vendors when any problem occurs. Generally, end-users report to the distributors or resellers for any functional problems, who will then report to the upstream vendors for their follow-ups. Also, the feedbacks provided by the end-users will help the upstream vendors to generate ideas to improve, advance and/or develop new IT Security Products and the distributors for their upgrade or provision of other additional value-added services which could fit the end-users' requirements and needs.

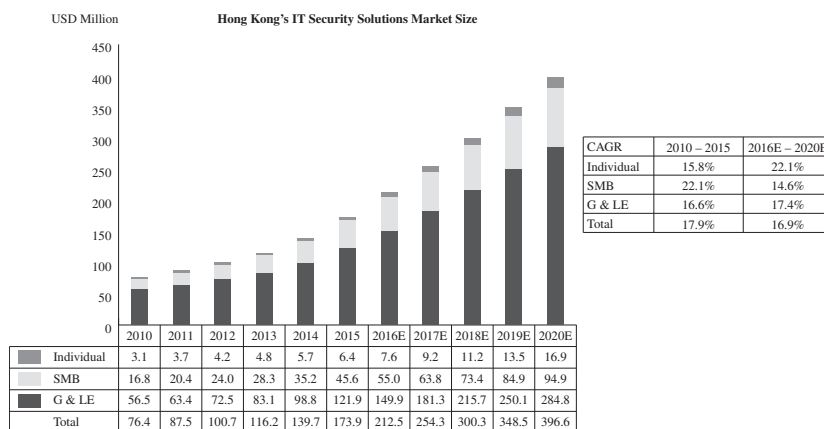
MARKET OVERVIEW OF THE IT SECURITY SOLUTIONS INDUSTRY IN HONG KONG

The market size of the IT Security Solutions industry in Hong Kong increased from USD76.4 million in 2010 to USD173.9 million in 2015, at a CAGR of 17.9%, which is attributable to the increase in awareness of the importance of IT Security. Among the segments of (i) government and large-scale enterprise (“**G&LE**”)^{Note 1}, (ii) small and medium-sized business (“**SMB**”)^{Note 2} and (iii) individual end-user (“**Individual**”)^{Note 3}, G&LE contributes the most to the growth. It is expected that the market size of Hong Kong's IT Security Solutions industry for the period from 2016 to 2020 will maintain a stable growth with a CAGR of 16.9% and realising USD396.6 million in 2020.

Hong Kong is a well-developed city with emphasis placed on the development of the IT industry and protection against IT crimes. Moreover, as the Asia financial center, Hong Kong produces massive volume of highly valuable information on a daily basis which urgently needs

INDUSTRY OVERVIEW

the protection from IT Security system. In addition, under the appeal from Hong Kong Police Department, the Hong Kong government is expected to allocate further resources to the Cyber Security and Technology Crime Bureau (網路安全及科技罪案調查科), which was set up in January 2015. It is expected that the market segment of G&LE will show a CAGR of 17.4% from 2016 to 2020.



Source: F&S Report

Notes:

1. G&LE refers to government, public institutions and companies whose annual revenue exceeds or equals USD1.5 million and total employee number exceeds or equals 300.
2. SMB refers to companies of small and medium-sized business whose annual revenue is below USD1.5 million and total employee number is below 300.
3. Individual refers to individual end-users.

Competitive Landscape

At the beginning stage of Hong Kong's IT Security Solutions market in 1990s, overseas players played both the role of vendor and IT Security Solutions distributor at the same time and delivered the IT Security Solutions to the resellers and/or end-users directly. They dominated the market and most of the demand came from government and financial institutions in Hong Kong. Later in the 2000s, more Hong Kong local IT Security Solutions distributors (including both value-added distributors and logistics distributors) brands rose up and took the leading position in the market and those overseas players quitted the role of IT Security Solutions distributors. At the same period, more retail end-users including the residential users start to raise their awareness on IT securities.

The IT Security Solutions market in Hong Kong demonstrated a relatively higher market concentration when compared to the PRC, Singapore and Macau, with around 100 players in the industry and top 5 players represent almost 30.7% of the total market share in 2015.

INDUSTRY OVERVIEW

Rank	Company Name	Revenue of IT Security Solutions		Market Share	Company Type (Listed or not)
		in Hong Kong (in USD million)			
1	Our Group	16.0		9.2%	Not listed
2	Company A	12.2		7.0%	Listed
3	Company B	10.0		5.8%	Not listed
4	Company C	7.7		4.4%	Not listed
5	Company D	7.5		4.3%	Not listed
	Others	<u>120.5</u>		<u>69.3%</u>	
	Total	<u><u>173.9</u></u>		<u><u>100.0%</u></u>	

Source: F&S Report

Market Drivers

- Surging Number of IT Security Incidents in Hong Kong* – According to the press release published by the Hong Kong Productivity Council’s Hong Kong Computer Emergency Response Team Coordination Centre (香港電腦保安事故協調中心) (“**HKCERT**”) in January 2016, HKCERT handled 4,928 security incident reports in 2015, which showed an increase of 43% when compared to 2014. For example, the websites of Hong Kong Bank of China and Bank of East Asia were hacked in 2015 reported by Hong Kong News Agency. The rapidly increasing number of IT Security incidents is arousing public awareness of potential IT crisis and also stimulating the market needs for IT Security Solutions.
- Industry Regulation and increasing IT Security Awareness* – The IT Security Solutions industry in Hong Kong is expected to embrace a promising future since the increasing number of cyber-attack and IT Security incidents arouse public awareness and generate more actual demands for IT Security Solutions. Aiming to consolidate Hong Kong’s position as the Asia financial center, in May 2016, Hong Kong Monetary Authority (“**HKMA**”) launched the Cybersecurity Fortification Initiative (網路防衛計畫) in order to raise the level of cyber security of banks in Hong Kong. In the coming years, HKMA will strengthen the cooperation with banks and players in the IT Security Solutions industry, which is expected to foster downstream demand.
- More Protection Demand from Smart Devices* – Smart devices are tending to contain large amount of users’ valuable information and are given more access to control other devices. With the popularity of smart devices, it is expected that smart devices will become the main target of cybercrime and more recently, an IT Security software company has also discovered security leakage in android phones, it is anticipated that there will be more demand for IT Security functions in smart devices.

INDUSTRY OVERVIEW

- *The SFC's Appeal for Licensed Corporations to Reinforce IT Security* – In 2016, the SFC received an increasing number of accidents about hacking internet/mobile trading account and unauthorised trading transactions. Consequently, in October 2016, the SFC made an announcement to start cyber security review on internet/mobile trading system, requiring and encouraging licensed corporations to improve their IT Security environment, which is estimated to arouse abundant demands for IT Security Solutions market in Hong Kong, whilst a number of end-users of IT Security Solutions are financial institutions including licensed corporations under SFO which are subject to the compliance of relevant requirements.

Entry Barriers

- *Human Resource Barrier* – Notwithstanding the local talent shortage in Hong Kong, there are restricted immigration policies such as the General Employability Policy (一般就業政策) in Hong Kong which stipulates that only foreign professionals with good educational qualifications, special skills, knowledge or experience of value that are not available in Hong Kong can enter and work in Hong Kong, which further reduce the chance of hiring suitable staff and it is difficult for new entrants to establish their own professional team in short time.
- *Experience Barrier* – Experience, technical skills and after-sales services are important factors considered by end-users in selecting IT Security Solutions distributors. Resellers and end-users always prefer to cooperate with prestigious and experienced value-added distributors and the distributors with technical support service hold a strong competitive strength compared with other competitors.
- *Relationship Barrier* – Getting the approval and authorization from the upstream suppliers to distribute their products is the primary role for the IT Security Solutions value-added distributors. It is indispensable for the existing value-added distributors to maintain good relationship with suppliers. Therefore, it is quite difficult for new entrants to establish the relationship with suppliers within a short period of time.
- *Heavy Administrative Cost* – In Hong Kong, the high office rental fee and relatively high average wage are heavy costs for companies in Hong Kong. To new entrants without financial support, administrative costs will be a heavy burden at the beginning stage.

Threats

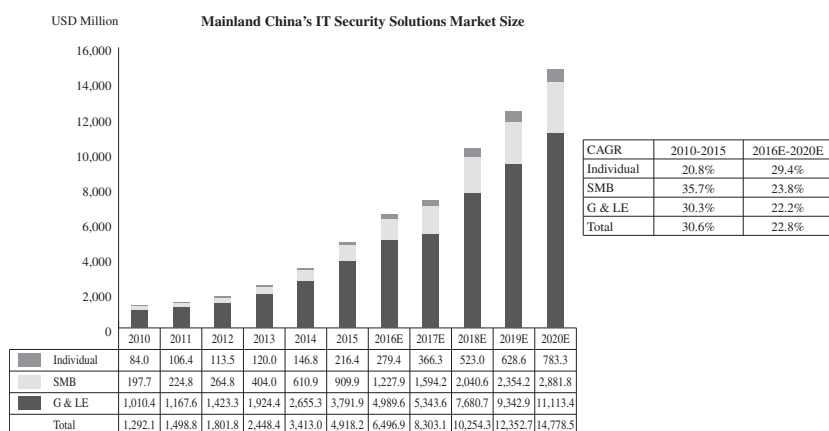
- *Unstable Political Environment* – Unfavorable changes in the political and social environment such as independence activities in Hong Kong in recent years affected the economic activities and government administration in Hong Kong. The unstable political environment might lead to a negative impact on the future growth of the industry.

INDUSTRY OVERVIEW

MARKET OVERVIEW OF THE IT SECURITY SOLUTIONS INDUSTRY IN THE PRC

The market size of the IT Security Solutions industry in the PRC increased from USD1,292.1 million in 2010 to USD4,918.2 million in 2015, at a CAGR of 30.6%. With the increasing demand from end-users and encouraging policies on IT Security such as The Announcement to Start the IT Security Experiment Demonstrate Work in the Telecom and Internet Industry in 2016 (工業和信息化部關於開展2016年電信和互聯網行業網絡安全試點示範工作的通知) issued by The Ministry of Industry and Information Technology of the PRC (“MIIT”), which came into effect in 2015, the IT Security Solutions market in the PRC is expected to keep a rapid growth from USD6,496.9 million in 2016 to USD14,778.5 million in 2020, representing a CAGR of 22.8%.

Following the increasing trend of the total IT expenditure in the PRC which is expected to grow from USD414.8 billion in 2016 to USD902.5 billion in 2020, representing a CAGR of 21.5%, the IT expenditure in respect of IT Security Solutions market in the PRC is also expected to grow. However, the IT Security Solutions market only takes a very small share in the total IT expenditure in the PRC (which consisted of IT infrastructure, IT operation solutions, IT maintenance, IT Security Solutions and others), amounting to approximately 1.5% of the overall IT expenditure of the PRC in 2015. As a result, the room for development of the IT Security Solutions market in the PRC is still considered to be large.



Source: F&S Report

INDUSTRY OVERVIEW

Competitive Landscape

The IT Security Solutions industry in the PRC is relatively fragmented, with the top five players only taking 16.1% of the total market share in 2015. By the end of 2015, there were over 1,000 IT Security related companies registered in State Administration for Industry and Commerce (“SAIC”). The reason for such fragmented market was mainly attributable to the market development, expansion of end-users’ demand and an increasing number of value-added distributors entering into the PRC market.

Rank	Company	Revenue of IT Security Solutions in the PRC (USD million)	Market Share	Company Type (Listed or not)
1	Company E	229.8	4.7%	Listed
2	Company F	202.9	4.1%	Listed
3	Company G	188.5	3.8%	Listed
4	Company H	102.1	2.1%	Listed
5	Company I	70.2	1.4%	Listed
	Others	4,124.7	83.9%	
	Total	4,918.2	100.0%	

Source: F&S Report

Market Drivers

- Encouraging Policies and Regulations** – The MIIT have issued The Guideline for Enhancing the Security Work for Telecom and Internet (加強電信和互聯網行業網絡安全工作的指導意見) in 2014 and The Announcement to Start the IT Security Experiment Demonstrate Work in the Telecom and Internet Industry in 2016 (工業和信息化部關於開展2016年電信和互聯網行業網絡安全試點示範工作的通知) issued by MIIT to promote the development of IT Security Solutions industry. Furthermore, IT Security has been set as the first level discipline (一級學科) in college education in order to invest more education resource and funding in the IT Security field, which will cultivate more graduates in the field of IT Security.

INDUSTRY OVERVIEW

- *Enormous Market Potentiality* – Since the expenditure on IT Security Solutions only represents approximately 1.5% of the total IT expenditure in the PRC in 2015, it is noted that the penetration rate of IT Security Solutions in the PRC is relatively low. However, considering the giant market base of approximately 50 million companies registered in SAIC as potential clients in the PRC, IT Security Solutions industry is expected to enjoy a promising potential in near future. Further, based on the 2015 Research on Chinese Network Users Awareness of IT Security (2015中國公眾網絡安全意識調查報告) issued by the MIIT in 2015, the current low level of awareness in IT Security for individual Chinese network users also present a potential room for development of the IT Security market.
- *Rising to National Security Level* – With the establishment of the National Security Committee (國家安全委員會) and the leading team of Central Network Security and Informatization (中共中央網路安全和資訊化領導小組), the importance of IT Security has increased to national security level and represents great significance for the military strategy.
- *Changes in Market Structure* – Referencing to the more sophisticated market structure of IT expenditure as in Singapore and Hong Kong, the PRC's current market structure of IT expenditure which consisted mainly of IT infrastructure, IT operation solutions and IT maintenance is expected to mimic the development trends of its peers (i.e. IT expenditure is expected to shift from focusing on IT infrastructure to IT operation solutions, IT Security Solutions as well as IT maintenance which are more software and service based segments).
- *More Protection Demand from Smart Devices* – The PRC government has implemented Information Security Technical Specification for Mobile Terminal (移動終端信息安全技術要求) in 2008 to standardise the security of mobile devices, hence it is expected that demands for IT Security Solutions for smart devices shall flourish in the near future when market responds to such standardization. Since smart devices nowadays generally contain large amount of valuable users' information and usually are given more access to control other devices. Smart devices are expected to become the main target of cybercrime, while they are also listed as the key protection objects of IT Security Products.

Entry Barriers

- *Technology Barrier* – As a technology-intensive industry, because of the limited research and development capability due to late start-up of IT industry in the PRC and the PRC's isolated network environment from other countries, both factors created a barrier for local IT experts to obtain new technological knowhow from overseas sophisticated IT Security companies. On the other hand, the intellectual property and related patents of other established local IT Security companies are considered to be their most valuable asset and will not be shared with new entrants. It is of great difficulty for new entrants to enter the market as it is difficult to have access to core technology.

INDUSTRY OVERVIEW

- *Experience and Business Relationship Barrier* – Corporate end-users prefer to cooperate with prestigious and experienced IT Security Solutions distributors. Meanwhile, established IT Security Solutions value-added distributors have already established deep understanding of the technical knowhow in the suppliers' products and have generally maintained good business relationship with suppliers, resellers and end-users. They are therefore difficult to be replaced by new entrants within a short period of time.
- *Preference for National Brands* – There is a preference for the Chinese government and other public departments to purchase IT Security Products from local brands in the PRC in order to guarantee the security of top secret national information. According to the Chinese government procurement list, the overseas brands are almost excluded. However, the private enterprises in the PRC do not have preference between local or overseas brands of IT Security Products and IT Security Services. Local IT Security brands have a more favorable position than overseas IT Security brands in the PRC, and therefore the IT Security Solutions distributors which mainly carry overseas brands are less advantageous in the IT Security Solutions market in the PRC.

Threats

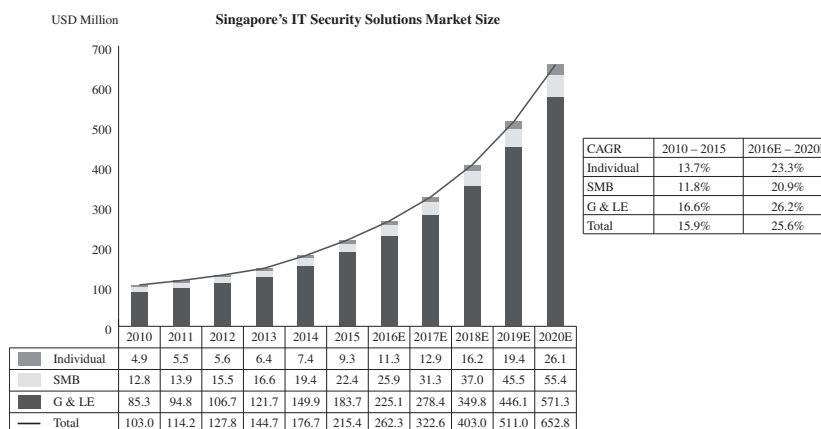
- *Lower Awareness of IT Security* – Due to the late commencement of PC popularisation and establishment of IT industry in the PRC, the awareness of IT Security in PRC is not as high as the same in the developed countries. The low awareness leads to an immature environment for the development of IT Security Solution industry, which threatens the industry development in the long run.

MARKET OVERVIEW OF THE IT SECURITY SOLUTIONS INDUSTRY IN SINGAPORE

The market size of the IT Security Solutions industry in Singapore increased from USD103.0 million in 2010 to USD215.4 million in 2015, at a CAGR of 15.9%. It is expected that the IT Security Solutions market in Singapore will maintain stable growth for the period from 2016 to 2020, showing a CAGR of 25.6% and finally reaching USD652.8 million in 2020. With Singapore being an Asia regional hub and with its geopolitical position, such stable growth is mainly propelled by the IT Security Solutions demand from Malaysia and Indonesia.

INDUSTRY OVERVIEW

Due to Singapore government's dominating role in building IT Security system, the segment of G&LE has taken an extremely large share of the IT Security Solutions market in Singapore, and with The National Cyber Security Masterplan being further carried out, there will be more IT Security demand generated in Singapore market, resulting in the optimistic forecast of increase in market size of IT Security Solutions.



Source: F&S Report

Competitive Landscape

Singapore is an attractive market for both local and foreign IT Security companies due to its public policy framework which encourages research and development and cutting-edge technologies. Many IT Security Solutions companies also use Singapore as a logistics base due to its effective and comprehensive distribution channel. Companies in Singapore can benefit from the strong research and development capabilities to develop compatible products and services to meet the continuous technological changes and development and the changing preference of customers. They can use Singapore as a base to capture the growing demands and market opportunities arising from the booming global IT Security market. The market of Singapore IT Security Solutions distributors is relatively concentrated under the dominating guidance from the government, with around 100 value-added distributors in Singapore market, including both domestic players and foreign players. Some typical value-added IT Security Solutions distributors are playing leading roles and dominating a large market share in Singapore, whilst some existing small-scale IT Security Solutions logistics distributors in Singapore do not place particular emphasis on the IT Security Solutions market. The IT Security Solutions distributors in Singapore are promoting collaborations between the vendors, customers and the government in order to generate faster and more market-relevant outcomes in product development and service enhancement.

INDUSTRY OVERVIEW

Singapore's IT Security Solutions market demonstrated a relatively concentrated competitive landscape, with around 100 value-added distributors in Singapore market and top five market players represent approximately 20.0% of the overall market shares in terms of revenue in 2015. Among the top five market players, Company J took the largest market share by generating approximately USD13.0 million revenue in 2015, representing around 6.0% market share of the total market in Singapore, with Company K, Company L, Company M and Company N having similar market share among the remaining 14.0% (i.e. each market player occupied around 3.5% of market share) of the total market in Singapore. Based on the revenue recorded by the Group in Singapore in 2015, the Group represented approximately 0.5% of the total market share in the IT Security Solutions market in Singapore.

Market Drivers

- *Challenge from Rising Sophistication of Cyber Threats* – The malware industry continued thriving in past years. In the first quarter of 2014 alone, a computer security software company headquartered in Santa Clara, California, one of the world's largest dedicated security technology companies reported more than 30 million new malware samples including Rootkits ("**Rootkit**", a malicious software, designed to enable access to a computer or area that is not allowed or unauthorized and often masks its existence or the existence of other software), password stealing Trojans ("**Trojan**", or Trojan horse, a malicious computer program which is used to hack into a computer by misleading users of its true intent) in their database. In addition, Distributed Denial of Service ("**DDoS**", a multitude of compromised systems attack a single target, thereby causing a denial of service) attacks continue to disrupt organisation and businesses. In March 2013, anti-spamming organization Spamhaus was hit by one of the biggest DDoS attacks. Singapore was also ranked third globally in terms of spear-phishing attacks ("**Spear-phishing attack**", the malicious attempt to obtain sensitive information such as usernames, passwords, and credit card details, by disguising as a trustworthy entity in an electronic communication), according to the annual Internet Security Threats 2015 report of Symantec, a technology company headquartered in Mountain View, California, producing software for security, storage, backup and availability. As an open market, IT Security market is under great demand in Singapore due to the full integration of Singapore and global internet environment, giving rooms and opportunities for all global enterprises to enter Singapore.
- *Encouraging Government Policies and Strategies* – Singapore government has launched The National Cyber Security Masterplan 2018 ("**NCSM2018**") issued in 2013. NCSM2018 builds on the work undertaken in the earlier masterplans. It seeks to bring Singapore's IT Security to the next level of maturity and sophistication. In addition to Government and Critical Infocomm Infrastructure ("**Critical Infocomm Infrastructure**", or CII, a term created by Singapore Government, which includes the public telephone network, the internet, and terrestrial and satellite wireless networks in Singapore), the NCSM2018 will

INDUSTRY OVERVIEW

expand its scope to cover the wider IT ecosystem, including businesses and individuals. It is believed that national strategy will improve the IT Security Solutions industry in Singapore in the future.

Entry Barriers

- *Fierce Market Competition* – In recent years, the IT Security Solutions industry has experienced rapid development in Singapore. By the end of 2015, there have been more than one hundred IT valued-added distributors and resellers competing in the market. It's not easy for new entrants to survive from the fierce market competition within such a small market base.
- *Relationship Barrier* – Getting the approval and authorization from the upstream suppliers to distribute their products is the primary role of IT Security Solutions distributors. It is indispensable for existing players to maintain a good relationship with suppliers. However, it is quite difficult for new entrants to establish the relationship with suppliers within a short period of time.

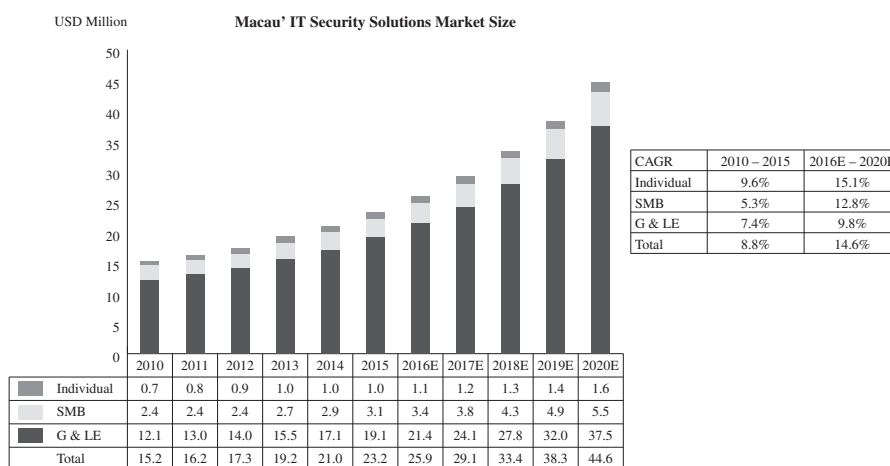
Threats

- *Public Concern on Cyber Security* – Cyber security is becoming a major public concern in Singapore. A growing number of enterprises concern about data security, and the trust in IT Security Solutions industry could be reduced due to accidents like telecom enterprises suffered cyber-attacks despite they had already installed IT Security Products. The public concern impedes the development of IT Security industry in Singapore.

MARKET OVERVIEW OF THE IT SECURITY SOLUTIONS INDUSTRY IN MACAU

The market size of the IT Security Solutions market in Macau increased from USD15.2 million in 2010 to USD23.2 million in 2015, at a CAGR of 8.8%. It is predicted that there will be a rapid growth in Macau's IT Security Solutions market for the period from 2016 to 2020, showing a CAGR of 14.6% and finally realising USD44.6 million in 2020. The increase is mainly due to the ignorance of IT Security Solutions in past years and the gradual emerging awareness of IT Security Solutions in the forecast period.

INDUSTRY OVERVIEW



Source: F&S Report

The major end-users of IT Security Solutions in Macau are the sizeable enterprises from Macau's pillar industries such as casino, hotel and travel industries, which result in the very high market share of G&LE in the overall IT Security Solutions market in Macau. In view of the gross domestic product per capita of Macau, it is considered that Macau has large market potentiality to develop and hence the forecast of future market growth is at a high level.

Considering that the weak public awareness and government's low emphasis on IT Security Solutions, the IT Security Solutions market in Macau represents a moderate competitive environment. Macau market is in the infancy period and still under development and most of the value-added distributors currently operating in Macau are from overseas with extremely fragmented market share. However, there are many high-valued potential clients in Macau. In order to gain the limited customers resources, the competition in Macau is expected to become fiercer in the future.

COST STRUCTURE ANALYSIS

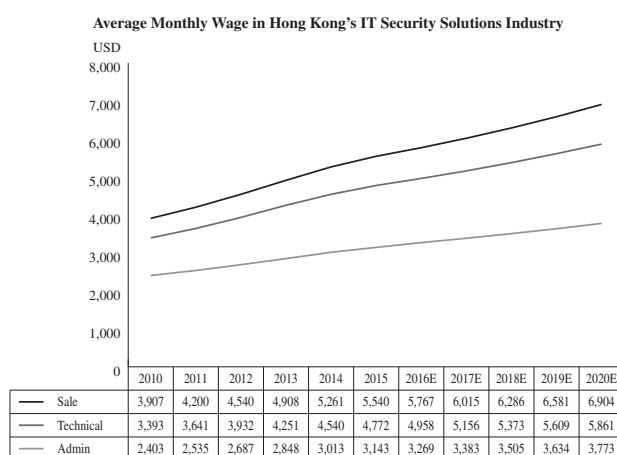
Hardware and Software Material Cost

The cost of widely applied IT Security hardware mainly includes network access control, anti-virus email security, data bridge solution and data security, etc. And the cost of frequently used IT Security software mainly includes end-point system and operation security software, etc. It is anticipated that the IT Security hardware and software cost index are very stable for the period from 2010 to 2020 with minor fluctuations within around 5.0%.

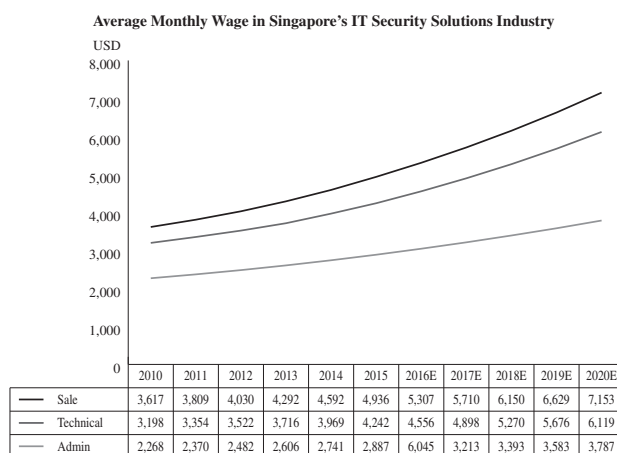
INDUSTRY OVERVIEW

Labour Cost

IT Security Solutions industry is widely acknowledged as a sunrise industry. Consequently, the average monthly wage in IT Security Solutions industry also shows a growing trend in parallel to the industry development. However, the IT Security Solutions market in Singapore shows a higher growth rate in average monthly wage than Hong Kong due to the higher expected growth rate of the Singapore IT Security Solutions industry for the period from 2016 to 2020. As a result, the average monthly wage in Singapore registered a relatively higher increasing speed than that in Hong Kong.



Source: F&S Report



Source: F&S Report

REGULATORY OVERVIEW

OVERVIEW

Our business operations are subject to certain laws and regulations in Hong Kong, the PRC, Macau and Singapore. Below is a summary of the laws and regulations which are material to our Group:

HONG KONG LAWS AND REGULATIONS

There are no specific statutory requirements for our Group to obtain any licences for carrying out its businesses in Hong Kong other than those applicable to all body corporate conducting business in Hong Kong, such as obtaining valid business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). Further, in relation to the import and/or export of strategic commodities by our group, valid licences shall be obtained from the Director-General of Trade and Industry pursuant to the Import and Export (Strategic Commodities) Regulations made under the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong).

Business Registration

The Business Registration Ordinance requires every person carrying on any business shall make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. Business registration application shall be made to the Commissioner of Inland Revenue as soon as practicable after the prescribed business registration fee are paid. Then business registration certificate or branch registration certificate for the relevant business or the relevant branch shall be issued as the case may be.

Supply of Goods

The Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“**Sales of Goods Ordinance**”) is the main governing law in Hong Kong in relation to the sale of goods.

Section 15 of the Sales of Goods Ordinance provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

Section 16 of the Sales of Goods Ordinance provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards to defects specifically drawn to the buyer’s attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

REGULATORY OVERVIEW

Where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negative or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Supply of Services

The supply of services in Hong Kong is regulated by the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (“**Supply of Services Ordinance**”), which consolidates and amends the law with respect to the terms to be implied in contracts for the supply of services.

Section 5 of the Supply of Services Ordinance provides that in a contract for the supply of service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill.

Section 6 of the Supply of Services Ordinance provides that, where under a contract for the supply of a service where the supplier is acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

Strategic Commodities

Under the Import and Export (Strategies Commodities) Regulations (“**SCR**”) made under the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) the import and export of the articles specified in the relevant schedules to the SCR must be covered by valid licences issued by the Director-General of Trade and Industry.

During the Track Record Period, certain IT Security Products which our Group imported contain encryption functions which are articles specified in the relevant schedules of SCR, to which the import and export are subject to the licensing control (commonly known as strategies commodities). Licence applications shall be made for the import and export of such strategic commodities and be submitted to the Strategic Trade Controls Branch of the Trade and Industry Department. The Director-General of Trade and Industry may, depending on circumstances of individual cases, impose special and additional conditions when issuing the relevant licences. For these strategic commodities, one common special licence condition is that no future re-export, resale, transfer, or disposal of the goods is allowed without prior notice to and approval from the Director-General of Trade and Industry.

REGULATORY OVERVIEW

During the Track Record Period, we had made the requisite licensing applications and had obtained the relevant import and/or export licenses for the import and/or export of the said strategic commodities and we had complied with the licensing requirements and conditions under the said regulations during the Track Record Period.

During the Track Record Period, we had also handled the subsequent resale, transfer or disposal of such strategic commodities in accordance with the abovementioned special licence condition. We had complied with the licence conditions and had made the requisite applications and obtained the approvals from the Director – General of Trade and Industry before any resale, transfer or disposal of such strategic commodities during the Track Record Period.

Mandatory Provident Fund

Under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“**MPFSO**”), employees must participate in a Mandatory Provident Fund, which is a defined contribution retirement plan administrated by independent trustees, for its employees employed under the Hong Kong Employment Ordinance.

Pursuant to the MPFSO, the employer and its relevant employee, are each required to make contributions to the scheme at 5% of the relevant employees’ relevant income, including any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by the employer to the relevant employee in consideration of his employment.

Minimum Wage

The prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee is govern by the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“**MWO**”). Any provision of employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee under the MWO is void.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (“**Competition Ordinance**”) came into force on 14 December 2015. The Competition Ordinance prohibits certain restrictions on completion in Hong Kong by taking the form of two “conduct rules”. The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

REGULATORY OVERVIEW

Furthermore, the Competition Ordinance has a merger rule which prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. Currently, the merger rule only applies to mergers involving carrier licence holders within the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (a) a contravention of the first conduct rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, issue a notice (a “warning notice”) before bringing proceedings in the Competition Tribunal against the undertaking.

Furthermore, an exemption is available under the first conduct rule, where the combined turnover does not exceed HK\$200 million in a calendar year. However, this exemption does not apply if the conduct involves serious anti-competitive conduct such as (i) price fixing; (ii) market sharing; (iii) output limitation; and (iv) bid-rigging. Under the exemptions to the second conduct rule, if the conduct engaged in by an undertaking does not exceed HK\$40 million for the turnover period, it is exempted from the second conduct rule.

Penalties for infringement that may be imposed by the competition tribunal includes, among others, pecuniary penalty (up to 10% of the turnover of the companies involved for up to three years in which the contravention occurs), financial penalty, disqualification order against a director and prohibition order.

As our Group is not involved in the telecommunications industry, our Directors are of the view that the merger rule of the Competition Ordinance does not apply on our Group.

Mr. Bruce K.W. Lau, a barrister-at-law in Hong Kong as a special counsel to our Company, is of the view that in assessing whether an agreement is likely to harm competition, factors including whether the undertakings to an agreement have some measure of market power should be considered. Although our Group ranked first in the IT Security Solutions industry in terms of revenue in 2015, there are around 100 players in Hong Kong which the top five players representing approximately 30.7% of the market shares among with our Group had a market share of approximately 9.2%. Mr. Lau is of the view that it is unlikely that this market share alone is an indicator of the necessary measure of market power. In the absence of significant market power it is therefore very unlikely that our Group would become a target under either the first or second conduct rule. Hence, Mr. Lau is of the view that notwithstanding our Group ranked first in the IT Security Solutions industry in Hong Kong, there is no material or realistic impact caused by the regulatory requirement of the Competition Ordinance on our Group. Based on the above, our Directors are of the view that no issue of non-compliance with the first and second conduct rules of the Competition Ordinance has arisen in relation to the business operation of our Group since the Competition Ordinance came into effect on 14 December 2015 and up to the Latest Practicable Date.

REGULATORY OVERVIEW

Our Directors confirm that the Group has established relevant policy as recommended by our Internal Control Consultant to ensure that our Group's business arrangements and operation shall comply with the Competition Ordinance. Going forward, Ms. Law Wai Chi, our internal control and compliance director and one of our senior management, will be designated to monitor the implementation of such policy and the compliance of the Competition Ordinance.

PRC LAWS AND REGULATIONS

Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2015年修訂)》) (the “**Catalogue**”), which was jointly issued by the MOFCOM and the NDRC in 1995. The Catalogue, as amended in 1997, 2002, 2004, 2007, 2011 and 2015 came into force on 10 April 2015. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the categories of encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. As at the Latest Practicable Date, our PRC Legal Advisers confirms that, the Company's business was not subject to foreign investment restriction under the Catalogue.

The establishment, operation and management of corporate entities in PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》)(the “**Company Law**”), which was adopted by the SCNPC on 29 December 1993 and was last amended on 28 December 2013 and with effect from 1 March 2014. A foreign-invested company is also subjected to the Company Law.

The Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), which was promulgated by the NPC on 12 April 1986 and last amended on 3 September 2016 with effect from 1 October 2016, is the fundamental legal basis for Chinese government to supervise wholly foreign-owned enterprises.

Licensing requirement for business operation

Pursuant to Measures for Investigating, Punishing and Clamping Down on Operation without Licenses (《無照經營查處取締辦法》) promulgated by the State Council on 18 December 2002 and last amended on 8 January 2011, no entity or individual shall engage in business activities without required licenses. The State Administration for Industry and Commerce shall investigate and penalize those who engage in business activities without obtaining required permits or business license. Any entity engaging in business activities without obtaining business license is subject to the following penalties: (1) to be ordered to cease unlawful operation; (2) confiscation of illegal proceeds from the unlawful operation; (3) confiscation of equipment and products used in the unlawful operation; (4) a monetary fine of up to RMB500,000 against the relevant corporate entity; and (5) If the unlawful operation is criminal in nature, criminal liabilities will incur.

REGULATORY OVERVIEW

Computer Information System Safety Protection

Safety protection of computer information system in the PRC is regulated by the Safety Protection of Computer Information System Regulations of the PRC (《中華人民共和國計算機信息系統安全保護條例》), which was promulgated by the State Council on 18 February 1994 and last amended and became effective on 8 January 2011. These safety protection regulations aim to enforce safety protection of computer information systems, promote the application and development of computers and in particular, in the important fields such as state affairs, economic construction, national defense and most advanced science and technology.

Pursuant to the Administrative Measures for Communications Network Safety Protection (《通信網絡安全防護管理辦法》) promulgated by the Ministry of Industry and Information Technology on 21 January 2010 and became effective on 1 March 2010, communications network operation companies shall maintain network safety in accordance with laws and industry standards. The network safety protection facilities shall be simultaneously updated when companies launches, remodels or expands the communications network operation project.

According to the Administrative Measures for Testing and Selling License of Special Products Used for the Safety of Computer Information Systems (《計算機信息系統安全專用產品檢測和銷售許可證管理辦法》) promulgated by the Ministry of Public Security (中華人民共和國公安部) and became effective on 12 December 1997, manufacturers of special hardware or software products for protecting the safety of computer information system (the “**Special Safety Product**”) are required to make an application to the Computer Management and Supervision Department of the Ministry of Public Security for the granting of the License for Sales of Special Safety Product in respect of the products prior to selling the same in the market (the “**Sales License**”).

As introduced above, manufacturers or their authorised corporate entities in the PRC are responsible to obtain the Sales License. Distributors of Special Safety Product need to ensure that the manufacturers or their authorised corporate entity in the PRC have obtained the Sales License prior to selling the same in the PRC. Alternatively, distributors may obtain the Sales License on behalf of the manufacturers with their express authorisation. The maximum penalty for selling Special Safety Product without Sales License is (i) a monetary fine of up to RMB15,000 against the violating entity; (ii) confiscation of illegal proceeds obtained from the sales of the Special Safety Product; and/or (iii) a monetary fine of up to 3 times of item (ii) above. For the purpose of calculating illegal proceeds, reference is often made to the balance of the revenue from the illegal sales minus reasonable expenses incurred in the sales operation.

Administration of Commercial Encryption

The Regulation of Commercial Encryption Codes of the PRC (《中華人民共和國商用密碼管理條例》) (“**Commercial Encryption Codes Regulation**”) was promulgated by the State Council and became effective on 7 October 1999. Pursuant to Article 13 of the Commercial Encryption Codes Regulation, import of encryption products or equipment containing encryption technologies must be approved by State Administration for Encryption Codes. And no person or

REGULATORY OVERVIEW

corporate entity is allowed to sell any encryption products manufactured in foreign countries. Pursuant to the PRC Administrative Regulation on the Sale of Commercial Encryption Product (《中華人民共和國商用密碼產品銷售管理規定》) which was promulgated by the State Administration of Encryption Codes on 11 December 2005 and became effective on 1 January 2006, commercial encryption products refer to those products that protect information which does not involve national secrets by way of encryption protection or safety certification using encryption technology. As advised by our PRC Legal Advisers, for the sales of encryption products manufactured in foreign countries, the maximum penalty is (1) confiscation of relevant products; (2) confiscation of illegal proceeds obtained from the sales of these products; and/or (3) a monetary fine of up to 3 times of item (2) above.

Pursuant to the Law of the PRC on Administrative Penalties (《中華人民共和國行政處罰法》) which was promulgated by the National People's Congress on 17 March 1996 and became effective on 1 October 1996 and was last amended and became effective on 27 August 2009 (“**PRC Administrative Penalty Law**”), monetary fine shall not be imposed more than once for one violating act.

Thus, where any Special Safety Product that has failed to obtain a Sales License and is also categorised as an encryption product manufactured in foreign countries, since both non-compliances arise from the same act, i.e. sales of the Special Safety Product, the entity committing such act will not be fined twice accordingly for selling the product in question.

In addition, pursuant to the PRC Administrative Penalty Law, where an unlawful act has not been discovered within two years, then no administrative penalty shall be imposed, except as otherwise prescribed by the law. The aforementioned statute of limitation shall be counted from the date when the unlawful act occurs. If the unlawful act is ongoing or continuous, the statute of limitation shall be counted from the date when the act ends. Thus, once an entity has stopped its violating activities, and if the relevant authorities did not discover the previous violating activities during the two years following the cease of the violating activities, upon the expiry of the said two years, no administrative penalty shall be imposed by the relevant authorities for the previous violating activities.

Product Liability

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated by the SCNPC on 22 February 1993 and was most recently amended on 27 August 2009 with effect from the same date, sellers shall adopt measures to maintain the quality of products for sale. Sellers shall be responsible for repair, replacement or return and compensate for the damages done to end-users or consumers if: (i) products do not have the functions use which it should have and there is no prior explanations; (ii) the quality of products does not conform to the standards specified on the products or on their packages; (iii) the quality of products does not conform to the quality specified in the instruction for use or with the quality of samples provided.

REGULATORY OVERVIEW

Import and Export

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994 which was subsequently amended on 6 April 2004 and became effective on 1 July 2004 and was last amended and became effective on 7 November 2016, the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987, which was subsequently amended on 8 July 2000, 29 June 2013 and 28 December 2013, the Regulations on the Administration of Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on 10 December 2001 and became effective on 1 January 2002, and the Measures for Record Filing and Registration of Foreign Trade Operator (《對外貿易經營者備案登記辦法》) promulgated by the MOFCOM on 25 June 2004 and became effective on 1 July 2004, any foreign trade business operator engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or an authority authorised by the MOFCOM.

According to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位注冊登記管理規定》) promulgated by the General Administration of Customs and became effective on 13 March 2014, imported and exported goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs in accordance with the applicable provisions.

Labor and Social Insurance

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994 and effective on 1 January 1995 and amended on 27 August 2009 and effective on 27 August 2009 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007 and amended on 28 December 2012 and effective on 1 July 2013, if an employment relationship is established between an entity and its employees, written labor contracts shall be concluded.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on 28 October 2010 and effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) promulgated by the State Council on 22 January 1999 and became effective on the same day and the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) promulgated by the Ministry of Human Resources and Social Security on 19 March 1999 and became effective on the same day, employers within the PRC shall pay social insurance premiums, including basic pension insurance, basic medical

REGULATORY OVERVIEW

insurance, occupational injury insurance, unemployment insurance and maternity insurance. An enterprise shall, within 30 days from the date of its establishment, apply for social insurance registration with the local social insurance agency.

Pursuant to the Regulations on the Management of Housing Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and became effective on the same day, which was amended on 24 March 2002, PRC enterprises must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC enterprises and their employees are required to contribute to the housing fund and their respective deposits shall be within the range as prescribed by local rules.

Taxation

Pursuant to the Enterprises Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was promulgated by the NPC on 16 March 2007 and with effect from 1 January 2008, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on 6 December 2007 and with effect from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or establishments in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income derived from outside the PRC which is related to the institutions or establishments set up by such enterprises. Where non-resident enterprises have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but they have no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993 and amended on 10 November 2008 and with effect from 1 January 2009 and amended and effective on 6 February 2016 and the Implementing Rules for the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOFCOM and the SAT on 15 December 2008 and amended on 28 October 2011 with effect on 1 November 2011, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax. For taxpayers selling or importing goods, unless otherwise specified, the tax rate shall be 17%. Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》) promulgated by the MOFCOM and the SAT on 23 March 2016 and became effective on 1 May

REGULATORY OVERVIEW

2016, entities and individuals engaged in sales of services, intangible assets or real property (the “**Taxable Activities**”) within the territory of the PRC are payers of value-added tax. Taxpayers shall pay VAT instead of business tax for the Taxable Activities conducted by them. For the provision of services in the modern service industries, the tax rate is 6%.

Pursuant to the Arrangement between the Mainland of the PRC and Hong Kong on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated by the SAT on 21 August 2006 and last amended by the Announcement about the Entry into Force and Implementation of Protocol IV to Arrangement Between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》) on 1 April 2015, dividends paid by a PRC company to a Hong Kong resident may be taxed in the PRC according to applicable PRC tax laws, and vice versa. Where the beneficial owner of the dividends is a resident of the other side (e.g. dividends of a PRC company paid to a Hong Kong resident), the tax so charged shall not exceed: (1) where the beneficial owner is a company directly owning at least 25% of the capital of the company which pays the dividends, 5% of the gross amount of the dividends; (2) in any other case, 10% of the gross amount of the dividends.

Pursuant to the Implementing Rules of the Administrative Law on Tax Collection and Administration of the PRC (《中華人民共和國稅收徵收管理法實施細則》) promulgated on 7 September 2002 and as last amended on and effective from 6 February 2016, if a taxpayer engages in business activities in a location other than its registered address for 180 days cumulatively, the taxpayer must complete tax registration in the location where the business activities are carried out.

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulations**”) which was promulgated by the State Council on 29 January 1996 and was last amended and became effective on 5 August 2008. Under the Foreign Exchange Regulations, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE has been obtained. Foreign investment enterprises are permitted to remit their profits or dividends in foreign currencies out of their foreign exchange accounts or exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which was promulgated on 13 February 2015 and with effect from 1 June 2015, the foreign exchange registration under

REGULATORY OVERVIEW

domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect administration over the foreign exchange registration via banks.

MACAU LAWS AND REGULATIONS

There are no specific statutory requirements for our Group to obtain any licences for carrying out its businesses in Macau other than those applicable to all body corporate conducting business in Macau, such as obtaining valid business registration under Article 176 of Macau Commercial Code. Pursuant to Article 61 under the Macau Commercial Code, commercial registration aims to disclose the legal status of the commercial entrepreneur and the enterprise so as to protect the security of transactions that are under protection of the law.

Legitimacy Taxation

Pursuant to clause 1 of Article 2 of the Macau Industrial Tax Regulation, natural person or legal person who engages in any industrial or commercial activities is subject to industrial tax. Nevertheless, pursuant to Article 11 of Law no. 15/2015, the activities stated in table 1 and table 2 of Macau Industrial Tax Regulation attached to Law no. 15/77/M which was approved on 31 December is exempted from industrial tax by the Macau Special Administrative Government for the year 2016.

Complementary income tax is levied on the total income earned within the territory by a natural person or legal person regardless of its residence. Pursuant to the provisions under Article 20 of Law no. 15/2015, under which the applicable tax rate is specified in Article 7 of Regulation on Complementary Income Tax approved by Law no. 21/78/M on 9 September. The exempted tax amount for 2015 shall be 600,000 MOP. A tax rate of 12% shall levy when the income exceed such amount.

Labour, Health and Safety

The Macau Labour Relations Law is approved by Law no. 7/2008, which established the general regime that defines labour relations, contains various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. Where an employer violates against the law due to non-performance of the obligation as required by Law no. 7/2008, the employer may still has to fulfil such obligation in addition to a punishment and a fine or penalty.

REGULATORY OVERVIEW

Pursuant to Decree Law no. 40/95/M (the “**Employees’ Compensation Insurance Ordinance**”), in which defines the system applicable to compensation for loss arising from occupational accidents and occupational diseases, our Group shall take out mandatory insurance to cover compensation for employees injured in work accidents or suffer from occupational diseases. In case our Group fails to provide such insurance, fines may be charged as legal sanction.

Regarding the working environment, an employer must comply with the rules provided under the Decree Law no. 37/89/M, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (the “**Sanctions for the Incompliance of Regulation on Occupational Safety and Hygiene in Commercial Establishment office and Labor Establishments**”).

Moreover, our Group must comply with the rules provided under Law no. 4/2010, which defines social security system and retirement pension. All employers who maintain employment relationships shall make registration with society security fund and make contribution therefore.

Regarding the employment of non-residents, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of non-resident workers is subject to strict regulations as prescribed under Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers.

A standardised condition or burdens of permitting the employment of non-resident workers are set out in Administrative Regulation no. 13/2010, which includes, regular body check, designated working locations, compliance with the minimum number of resident workers hired, acceptance for reassessment on the allowed number of non-resident workers and other conditions and burdens as the approval authority may require.

Non-compliance with the Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a certain period of time.

SINGAPORE LAWS AND REGULATIONS

Imports and Exports

The principal legislation governing import and exports in Singapore is the Regulation of Imports and Exports Act, Chapter 272A of Singapore (“**Imports and Exports Act**”), which is administered by the Singapore Director-General of Customs appointed under the Customs Act, Chapter 70 of Singapore. The Imports and Exports Act provides for the regulation, registration

REGULATORY OVERVIEW

and control of imports and exports. The relevant regulatory body is the Singapore Customs, which oversees the Regulation of Imports and Exports Regulations for the control of the import, export or transshipment of goods through requirements of permits.

Any importer, exporter, shipping agent, air cargo agent, freight forwarder, common carrier or other person who desires to obtain a permit, certificate or any other document or form of approval for any purposes of the Imports and Exports Act or any regulations made thereunder is required to be registered by the Director-General of Customs prior to making any declaration under the Imports and Exports Act.

Sale of Goods

The Sale of Goods Act, Chapter 393 of Singapore (“**Sale of Goods Act**”) governs the domestic sale of goods in Singapore and applies to any contract for the sale of goods.

Where there is a contract for the sale of goods by description, the Sale of Goods Act provides that there is an implied condition that the goods will correspond with the description.

Where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of satisfactory quality, except there is no such condition (a) as regards to defects specifically drawn to the buyer’s attention before the contract is made; or (b) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (c) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

Where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may (subject to the Unfair Contract Terms Act, Chapter 396 of Singapore be negative or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Workplace Safety and Health

The primary legislation governing workplace health and safety is the Workplace Safety and Health Act, Chapter 354A of Singapore (“**Workplace Safety and Health Act**”). Under the Workplace Safety and Health Act, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of its employees at work, including providing and maintaining a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the

REGULATORY OVERVIEW

employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

In addition, inspectors appointed by the Singapore Commissioner for Workplace Safety and Health may, among others, enter, inspect and examine any workplace, to inspect and examine any machinery, equipment, plant, installation or article at any workplace as may be necessary to ascertain whether the provisions of the Work Safety and Health Act are complied with.

The Commissioner for Workplace Safety and Health may issue a stop-work order in respect of a workplace if he determines that (a) the workplace is in such condition that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (b) any person has contravened any duty imposed by the Work Safety and Health Act; or (c) any person has done any act, or has refrained from doing any act which poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall, amongst others, direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the Commissioner for Workplace Safety and Health have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

Work Injury Compensation

Another relevant legislation relating to employees is the Work Injury Compensation Act, Chapter 354 of Singapore (“**Work Injury Compensation Act**”), which is regulated by the Singapore Ministry of Manpower, applies to employees who are engaged under a contract of service or apprenticeship, regardless of their level of earnings, but does not cover self-employed persons or independent contractors.

The Work Injury Compensation Act provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death. An employee who has suffered an injury arising out of and in the course of his employment can choose to either: (a) submit a claim for compensation through the Singapore Ministry of Manpower without needing to prove negligence or breach of statutory duty by employer and be subject to a fixed amount of compensation determined in accordance with the Work Injury Compensation Act; or (b) commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

Under the Work Injury Compensation Act, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which it may incur under the provisions of the Work Injury Compensation Act in respect of all employees employed by it, unless specifically exempted.

REGULATORY OVERVIEW

Personal Data Protection

The main data protection rules in Singapore are set out in the Personal Data Protection Act 2012, No.26 of 2012 of Singapore (“**Personal Data Protection Act**”). The Personal Data Protection Act governs the collection, use and disclosure of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider appropriate in the circumstances. Under the Personal Data Protection Act, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access. Generally, the Personal Data Protection Act imposes the following obligations on organisations collecting, using or disclosing personal data of individuals (“**relevant persons**”): obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Taxation

The Goods and Services Tax in Singapore is a broad-based consumption tax levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

The prevailing corporate tax rate in Singapore is 17% with effect from year of assessment 2010. Companies will be granted a corporate income tax rebate of 50% of the tax payable for the Years of Assessment 2016 to 2017, subject to a cap of S\$20,000 per year of assessment.

Dividend Distributions

Singapore adopts the one-tier corporate taxation system. Under this system, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt (One-Tier) dividends. Such dividends are tax-exempt from Singapore income tax in the hands of the shareholders, regardless of legal form or tax residence status.

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Group's history can be traced back to 2002 when Mr. Raymond Liu, who had accumulated extensive knowledge and in-depth market understanding in the IT industry through his previous working experience, along with Mr. Ashley Lo and two Independent Third Parties, established Edvance Technology (HK) using their personal financial resources. Please see the section headed "Directors, Senior Management and Employees" in this prospectus for further details regarding the background of Mr. Raymond Liu and Mr. Ashley Lo. Subsequent to a number of share transfers which took place between August 2005 and May 2012, Edvance Technology (HK) was owned as to 55% by Mr. Raymond Liu, as to 42% by Mr. Ashley Lo and as to 3% by Mr. TL Lam, who are our Directors. With a view to consolidate our corporate structure, each of Mr. Raymond Liu, Mr. Ashley Lo and Mr. TL Lam transferred their respective shares in Edvance Technology (HK) to Edvance Holdings.

Edvance Technology (HK) commenced its business in 2002 and we positioned ourselves as a reseller in 2004. As the competition among resellers in the IT Solutions industry intensified, leveraging on our ability and experience to introduce new IT products to local market and our then resellers' network, we started directly engaging with vendors to distribute their products to resellers and/or end-users in 2009. We also started providing value-added IT Security Services to our customers. We changed our business position from a reseller to an IT Security Solutions value-added distributor to (i) avoid and reduce competition with resellers; and (ii) focus on the aspect of IT Security which the then management of our Group considered to be of high potential.

Through such change in business position, our competition with resellers reduced as they have become our customers and the market of IT Security Solutions distributors was less competitive. Our focus on IT Security also helps to distinguish us from other resellers and logistic distributors who focus on the overall IT Solutions rather than solely on the aspect of IT Security. We can focus on assisting our vendors to penetrate the local market and increase their market share, which further strengthen our business relationship with them and incentivize more vendors to engage us as their value-added distributor.

Our Business Development

The following table illustrates the key milestones of our business development since inception:

Year	Milestone
2002	incorporation of Edvance Technology (HK)
2004	entered into our first IT Security Product reseller contract with an email firewall vendor headquartered in the U.S.
2007	established Edvance Technology (Shenzhen) in the PRC for our business in the PRC

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestone
2009	changed our business positioning from a reseller to an IT Security Solutions value-added distributor
2009	entered into our first IT Security Product distribution contract with a web application firewall vendor
2012	established Edvance Consulting (HK) for the provision of consulting services
2013	established Edvance Technology (SG) in Singapore to explore and develop the Singapore market
2015	established Edvance Technology (Macau) in Macau to explore and develop the Macau market

CORPORATE DEVELOPMENT AND REORGANISATION

Our Corporate History

Our Company was incorporated on 7 July 2016 in the Cayman Islands as an exempted company with limited liability. At the time of incorporation, the authorised share capital of our Company was HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each. On the day of incorporation, the initial subscribing shareholder, Reid Services Limited, subscribed for one Share at par. On the same day, Reid Services Limited transferred the one issued Share to Success Vision at nominal consideration.

For details of changes in the share capital of our Company, please see the paragraph headed “Statutory and General Information – Further Information about our Company – 2. Changes in authorised and issued share capital of our Company” in Appendix IV to this prospectus. As part of the Reorganisation, our Company became the holding company of our Group. Please refer to the paragraph headed “Reorganisation” below in this section for further details about the Reorganisation.

The following sets forth a summary of the corporate development of the subsidiaries of our Group:

Best Gear

Best Gear was incorporated on 18 March 2014 in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 12 June 2014, 45, 39, ten, three and three shares were allotted and issued at par value to Mr. Raymond Liu, Mr. Ashley Lo, Mr. John Von, Mr. TL Lam and Mr. Francis Lee, respectively, all

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

credited as fully paid. As a result of the above allotment of shares, Best Gear was owned as to 45% by Mr. Raymond Liu; 39% by Mr. Ashley Lo; 10% by Mr. John Von; 3% Mr. TL Lam; and 3% Mr. Francis Lee.

After completion of the Pre-IPO Investment as set out in the paragraph headed “Pre-IPO Investment” in this section below, Best Gear was owned as to 45% by Mr. Raymond Liu; 31% by Mr. Ashley Lo; 10% by Earning Gear; 8% by Mr. John Von; 3% Mr. TL Lam and 3% by Mr. Francis Lee.

As a result of the Reorganisation, Best Gear became a direct wholly-owned subsidiary of our Company.

Best Gear is principally engaged in investment holding.

Edvance Holdings

Edvance Holdings was incorporated on 14 July 2014 in Hong Kong as a limited liability company. Upon its incorporation, one share was allotted and issued at par to Best Gear, as credited as fully paid.

As a result of the Reorganisation, Edvance Holdings became an indirect wholly-owned subsidiary of our Company.

Edvance Holdings is principally engaged in investment holding.

Edvance Consulting (HK)

Edvance Consulting (HK) was incorporated on 1 February 2012 in Hong Kong as a limited liability company with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. Upon its incorporation, 70,000 shares and 30,000 shares were allotted and issued at par to Edvance Technology (HK) and Mr. HC Chan, respectively, all credited as fully paid. In order to expand our business to consulting services and in view of the expertise of Mr. HC Chan, Edvance Technology (HK) and Mr. HC Chan established Edvance Consulting (HK) and Mr. HC Chan has been appointed as the consulting services director of Edvance Consulting (HK).

On 7 October 2014, Edvance Technology (HK) transferred its 70,000 shares in Edvance Consulting (HK) to Edvance Holdings at nominal consideration. As a result, Edvance Consulting (HK) was owned as to 70% and 30% by Edvance Holdings and Mr. HC Chan, respectively.

On 31 March 2016, Mr. HC Chan transferred his 30,000 shares in Edvance Consulting (HK) to Edvance Holdings at HK\$30,000. As a result, Edvance Consulting (HK) became a direct wholly-owned subsidiary of Edvance Holdings.

As a result of the Reorganisation, Edvance Consulting (HK) became an indirect wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Edvance Consulting is principally engaged in the provision of IT Security consulting services.

Edvance Technology (HK)

Edvance Technology (HK) was incorporated on 26 August 2002 in Hong Kong as a limited liability company with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. Upon its incorporation, 30,000 shares, 30,000 shares, 20,000 shares and 20,000 shares were allotted and issued at par to Mr. Raymond Liu, Mr. Ashley Lo and two other individual shareholders, who are Independent Third Parties, respectively. Accordingly, Edvance Technology (HK) was held as to 30% by Mr. Raymond Liu, 30% by Mr. Ashley Lo, 20% and 20% by the other two individual shareholders, respectively.

On 25 August 2005, the two individual shareholders completed the transfer of their respective 20,000 shares to each of Mr. Raymond Liu and Mr. Ashley Lo at a consideration of HK\$20,001 respectively, which were fully settled. Accordingly, Edvance Technology (HK) was held as to 50% by Mr. Raymond Liu and 50% by Mr. Ashley Lo.

On 18 May 2012, Mr. Ashley Lo transferred his 5,000 shares and 1,000 shares in Edvance Technology (HK) to Mr. Raymond Liu and Mr. TL Lam, respectively, at HK\$1 and HK\$450,000, respectively and were fully settled. The consideration of HK\$1.00 for 5,000 shares was regarded as a reward to Mr. Raymond Liu in view of the fact that the development of Edvance Technology (HK) in the past few years was largely contributed by Mr. Raymond Liu and Mr. Raymond Liu would take a leading role in relation to the future development of Edvance Technology (HK). On 27 March 2013, Mr. Ashley Lo transferred his 2,000 shares in Edvance Technology (HK) to Mr. TL Lam at a total consideration of HK\$900,000, which was fully settled. As a result of the above transfers, Edvance Technology (HK) was owned as to 55% by Mr. Raymond Liu, 42% by Mr. Ashley Lo and 3% by Mr. TL Lam.

Mr. Raymond Liu, Mr. Ashley Lo and Mr. TL Lam funded the above transfers with their personal savings.

On 7 October 2014, Mr. Raymond Liu, Mr. Ashley Lo and Mr. TL Lam transferred their 55,000 shares, 42,000 shares and 3,000 shares in Edvance Technology (HK), representing all the issued shares in Edvance Technology (HK) to Edvance Holdings at a nominal consideration. As a result, Edvance Technology (HK) became a direct wholly-owned subsidiary of Edvance Holdings.

As a result of the Reorganisation, Edvance Technology (HK) became an indirect wholly-owned subsidiary of our Company.

Edvance Technology (HK) is principally engaged in the provision of IT Security Solutions in Hong Kong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Edvance Technology (Shenzhen)

Edvance Technology (Shenzhen) was incorporated on 12 October 2007 in the PRC as a limited liability company with an initial registered capital of RMB500,000. In January 2008, the registered capital was paid-up and contributed in full by Edvance Technology (HK).

In October 2008, the registered capital of Edvance Technology (Shenzhen) was increased to RMB1 million and Edvance Technology (HK) fully paid the additional registered capital in November 2008.

In January 2011, the registered capital of Edvance Technology (Shenzhen) was further increased to RMB2 million and Edvance Technology (HK) fully paid the additional registered capital in January 2011.

On 27 May 2015, Edvance Technology (HK) and Edvance Holdings entered into an equity transfer agreement, pursuant to which Edvance Technology (HK) transferred 100% equity interest in Edvance Technology (Shenzhen) to Edvance Holdings at a consideration of RMB2 million, being its registered capital. Following the completion of the above transfer, Edvance Technology (Shenzhen) became a direct wholly-owned subsidiary of Edvance Holdings.

As a result of the Reorganisation, Edvance Technology (Shenzhen) became an indirect wholly-owned subsidiary of our Company.

Edvance Technology (Shenzhen) is principally engaged in the provision of IT Security Solutions in the PRC.

Edvance Technology (Shenzhen) First Branch

Edvance Technology (Shenzhen) First Branch was established on 27 September 2016 in Shanghai as a branch office of Edvance Technology (Shenzhen). It is principally engaged in the provision of IT Security Solutions.

Edvance Technology (Macau)

Edvance Technology (Macau) was incorporated on 13 May 2015 in Macau as a limited liability company with a registered capital and paid-up capital of MOP25,000 which were fully subscribed by Edvance Holdings.

As a result of the Reorganisation, Edvance Technology (Macau) became an indirect wholly-owned subsidiary of our Company.

Edvance Technology (Macau) is principally engaged in the provision of IT Security Solutions in Macau.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Edvance Technology (SG)

Edvance Technology (SG) was incorporated on 11 April 2013 in Singapore as a limited liability company with a total issued and paid-up capital of S\$100,000 divided into 100,000 ordinary shares of S\$1.00 each. Upon its incorporation, 51,000 shares and 49,000 shares were allotted and issued to Edvance Technology (HK) and Mr. Raymond Liu, respectively, all credited as fully paid.

On 24 October 2014, Edvance Technology (HK) transferred its 51,000 shares in Edvance Technology (SG) to Edvance Holdings for a consideration of S\$51,000. The consideration was fully paid and settled on the same day.

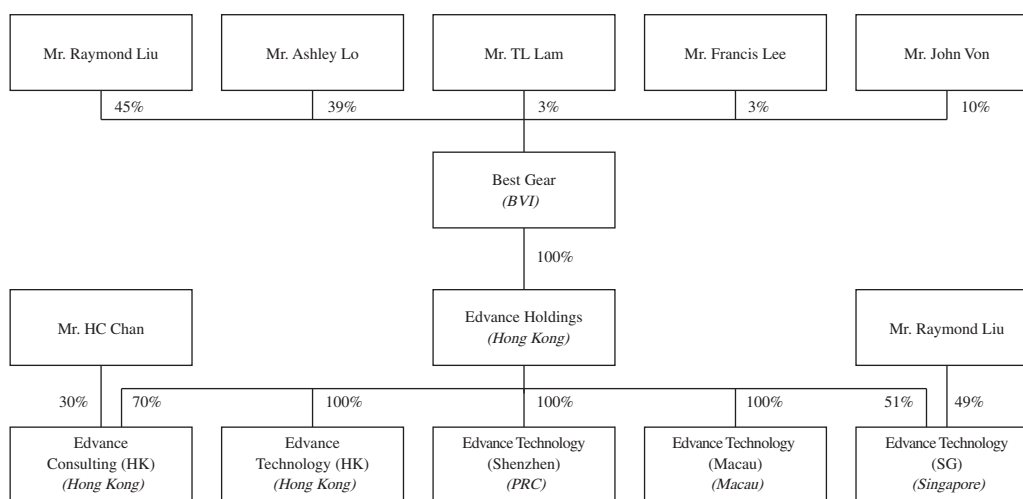
Pursuant to the transfer, Edvance Holdings and Mr. Raymond Liu own 51% and 49% of Edvance Technology (SG), respectively. On 31 March 2016, Mr. Raymond Liu transferred his 49,000 shares in Edvance Technology (SG) to Edvance Holdings for a consideration of S\$49,000. The consideration was fully paid and settled on the same day. Pursuant to the transfer, Edvance Technology (SG) became a directly wholly-owned subsidiary of Edvance Holdings.

As a result of the Reorganisation, Edvance Technology (SG) became an indirect wholly-owned subsidiary of the Company.

Edvance Technology (SG) is principally engaged in the provision of IT Security Solutions in Singapore.

REORGANISATION

The following chart sets out our shareholding and corporate structure immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 1 – Transfer of shares in Edvance Consulting (HK) from Mr. HC Chan to Edvance Holdings and transfer of shares in Edvance Technology (SG) from Mr. Raymond Liu to Edvance Holdings

On 31 March 2016, Edvance Holdings, as purchaser, acquired from Mr. HC Chan, as vendor, all of his 30,000 shares in Edvance Consulting (HK), representing 30% of all the issued shares in Edvance Consulting (HK) at a consideration of HK\$30,000 and was fully settled on 1 April 2016.

On 31 March 2016, Edvance Holdings, as purchaser, acquired from Mr. Raymond Liu, as vendor, all of his 49,000 shares in Edvance Technology (SG), representing 49% of all the issued shares in Edvance Technology (SG) at a consideration of S\$49,000 and was fully settled on the same day.

Following the completion of the above transfers, each of Edvance Consulting (HK) and Edvance Technology (SG) became a direct wholly-owned subsidiary of Edvance Holdings. All of the abovementioned transfers have been properly, legally, irrevocably settled and completed.

Step 2 – Pre-IPO investment by Earning Gear

For details, please refer to the paragraph headed “Pre-IPO Investment by Earning Gear” below in this section.

Step 3 – Transfer of shares in Best Gear from each of Mr. Raymond Liu, Mr. Ashley Lo, Earning Gear, Mr. John Von, Mr. TL Lam and Mr. Francis Lee to our Company

On 23 March 2017, Mr. Raymond Liu, Mr. Ashley Lo, Earning Gear, Mr. John Von, Mr. TL Lam, Mr. Francis Lee as vendors, and our Company, as purchaser, entered into the Reorganisation Deed pursuant to which our Company acquired from:

- (i) Mr. Raymond Liu all of his 45 shares in Best Gear, representing 45% of all the issued shares in Best Gear, in consideration of and in exchange for which our Company allotted and issued 44 Shares in our Company, credited as fully paid, to Success Vision (at the direction of Mr. Raymond Liu);
- (ii) Mr. Ashley Lo all of his 31 shares in Best Gear, representing 31% of all the issued shares in Best Gear, in consideration of and in exchange for which our Company allotted and issued 31 Shares in our Company, credited as fully paid, to Success Vision (at the direction of Mr. Ashley Lo);
- (iii) Earning Gear all of its ten shares in Best Gear, representing 10% of all the issued shares in Best Gear, in consideration of and in exchange for which our Company allotted and issued ten Shares in our Company, credited as fully paid, to Earning Gear;

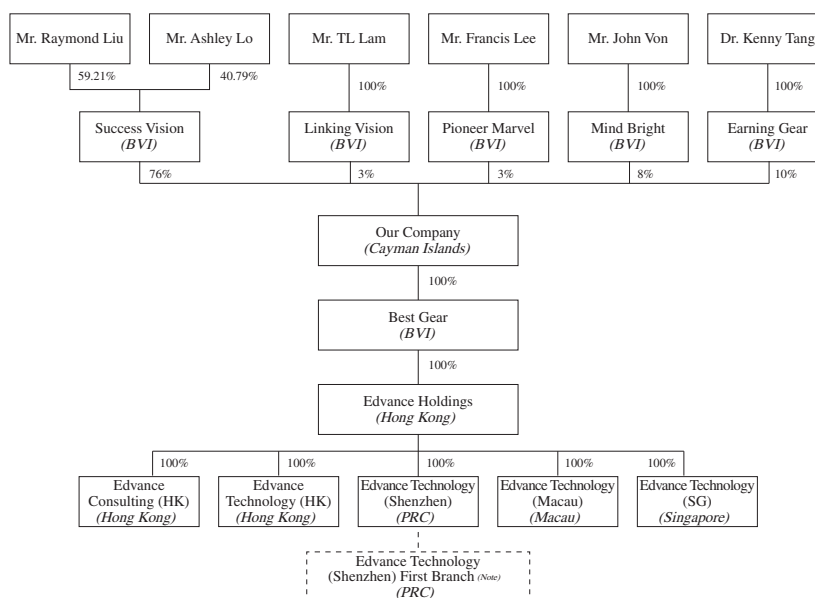
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (iv) Mr. John Von all of his eight shares in Best Gear, representing 8% of all the issued shares in Best Gear, in consideration of and in exchange for which our Company allotted and issued eight Shares in our Company, credited as fully paid, to Mind Bright (at the direction of Mr. John Von);
- (v) Mr. TL Lam all of his three shares in Best Gear, representing 3% of all the issued shares in Best Gear, in consideration of and in exchange for which our Company allotted and issued three Shares in our Company, credited as fully paid, to Linking Vision (at the direction of Mr. TL Lam); and
- (vi) Mr. Francis Lee all of his three shares in Best Gear, representing 3% of all the issued shares in Best Gear, in consideration of and in exchange for which our Company allotted and issued three Shares in our Company, credited as fully paid, to Pioneer Marvel (at the direction of Mr. Francis Lee).

Upon completion of the above transfers, Best Gear became a direct wholly-owned subsidiary of our Company; and Edvance Holdings, Edvance Consulting (HK), Edvance Technology (HK), Edvance Technology (Shenzhen), Edvance Technology (Macau) and Edvance Technology (SG) became indirect wholly-owned subsidiaries of our Company.

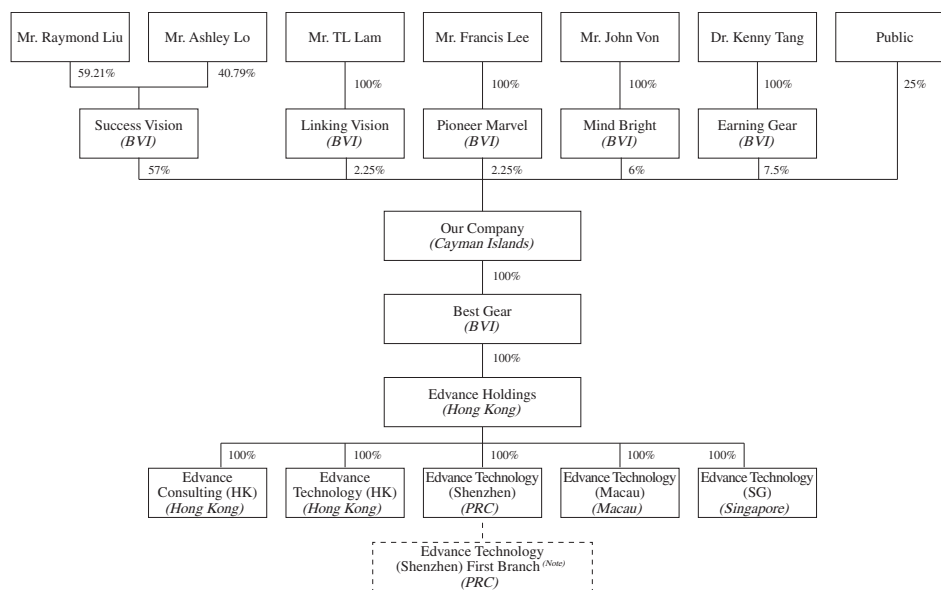
All of the abovementioned transfers have been properly, legally, irrevocably settled and completed.

The following chart sets out our shareholding and corporate structure as at the Latest Practicable Date, immediately before the Share Offer and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out our shareholding and corporate structure immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued under the Offer Size Adjustment Option and upon the exercise of the options that may be granted under the Share Option Scheme):



Note: Edvance Technology (Shenzhen) First Branch is a branch office of Edvance Technology (Shenzhen).

PRE-IPO INVESTMENT BY EARNING GEAR

On 24 June 2016, Mr. Ashley Lo and Mr. John Von, as vendors, and Earning Gear, as purchaser, entered into the Pre-IPO Investment Agreement pursuant to which Earning Gear agreed to acquire eight shares and two shares in Best Gear, representing in aggregate 10.0% of the total number of issued shares in Best Gear from Mr. Ashley Lo and Mr. John Von, respectively, for a cash consideration of HK\$7,200,000 and HK\$1,800,000, respectively.

Details of the pre-IPO investment are set out in the table below:

Parties

Mr. Ashley Lo (*Vendor*)
 Mr. John Von (*Vendor*)
 Earning Gear (*Purchaser*)

Background of the investor

Earning Gear is a private company incorporated on 3 May 2016 in the BVI with limited liabilities and is wholly-owned by Dr. Kenny Tang. Earning Gear is principally engaged in investment holdings

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of the ultimate beneficial owner of the investor	Dr. Kenny Tang is an individual investor and a non-executive Director, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus for further details regarding his background. Dr. Kenny Tang is introduced to our Group by Mr. Raymond Liu
Date of the relevant agreement	24 June 2016
Date of completion	30 June 2016
Earning Gear’s shareholding in Best Gear after the completion of the Pre-IPO Investment, but before the completion of the Reorganisation	ten shares of US\$1.00 each
Consideration and payment date	HK\$7,200,000 for eight (8) shares of US\$1.00 each in Best Gear from Mr. Ashley Lo and HK\$1,800,000 for two (2) shares of US\$1.00 each in Best Gear from Mr. John Von, in aggregate HK\$9,000,000, which was paid by Earning Gear and received by Mr. Ashley Lo and Mr. John Von in full on 30 June 2016
Basis of determination of the consideration	The consideration was determined based on arm’s length negotiation with regards to the management accounts of the Group’s subsidiaries for the financial year ended 31 March 2016
Investment cost per Share	HK\$0.12 per Share taking into account the effect of the Capitalisation Issue and the Share Offer but before the exercise of the Offer Size Adjustment Option
Discount to the mid-point of the Offer Price range	62.5%

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special rights granted to the investor

Put option

If the Listing did not take place on or before 30 June 2017 (or such other date as the Vendors and the Purchaser may agree in writing), Earning Gear shall have the put option to, during the period from 1 July 2017 to 31 July 2017 require Mr. Ashley Lo or Mr. John Von to purchase from it all (and not part only) of the Shares calculated as follows:

(a) Put option for the shares from Mr. Ashley Lo =
 $\text{HK\$}7,200,000 \times 102\% \times D/365$

(b) Put option for the shares from Mr. John Von =
 $\text{HK\$}1,800,000 \times 102\% \times D/365$

where D represents the number of days elapsed commencing from 1 July 2016 up to and including the date of completion of the sale and purchase of the put option shares

Public float for the purposes of Rule 11.23

All Shares held by Earning Gear will not be considered as part of the public float

Strategic benefits to our Company

Our Directors believe that the investment made by Earning Gear, as our Shareholder, will bring strategic benefits to our Group by providing business development opportunities and advices to our Group's businesses and the investment demonstrate its confidence in our operation and serve as an endorsement of our performance, strength and prospects. Dr. Kenny Tang is also a non-executive Director, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus for further details

Prior to the investment in our Group, Earning Gear and its ultimate beneficial owner, Dr. Kenny Tang are independent from our Group and independent from the connected persons of our Company. As Dr. Kenny Tang was appointed as our non-executive Director with effect on 21 November 2016, Earning Gear and Dr. Kenny Tang will be a core connected person of our Group upon Listing. Accordingly, all Shares held by Earning Gear shall not be counted as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Confirmation from the Sole Sponsor

Based on review of the relevant documents, the Sole Sponsor is not aware of any special circumstances or incidents that could lead to its belief that the Pre-IPO Investment by Earning Gear did not comply with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on 13 October 2010 (as amended and updated on 16 January 2012) and the requirements set out in the Guidance Letters HKEx-GL43-12 issued by the Stock Exchange on 25 October 2012 (as amended and updated in July 2013) and HKEx-GL44-12 issued by the Stock Exchange in October 2012, to the extent applicable.

Lock-up undertaking from Earning Gear

On 30 March 2017, Earning Gear has separately undertaken to and covenanted with each of the Sole Sponsor, the Sole Lead Manager and the Underwriters that it will not, at any time within the period of six months from the Listing Date (i) offer, pledge, charge, sell, lend, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor entering into any agreement to transfer or dispose of or otherwise create any options, rights, interests, or encumbrance in respect of), either directly or indirectly, conditionally or unconditionally, repurchase any of the share or debt capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or (ii) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise (whether or not such transaction will be completed in the aforesaid period).

PARTIES ACTING IN CONCERT

On 12 December 2016, two of our Controlling Shareholders, namely Mr. Raymond Liu and Mr. Ashley Lo entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group that since the incorporation of Edvance Technology (HK) on 26 August 2002 and continue as at and after the date of the Concert Parties Confirmatory Deed:

- (i) they have managed and controlled and shall continue to manage and control, directly or indirectly, the members of our Group on a collective basis and they have made and shall continue to make collective decisions in respect of the commercial decisions and the financial and operating policies of the members of our Group;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (ii) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the businesses of the members of our Group;
- (iii) they have agreed to and shall agree to consult, and have consulted, each other in advance so as to reach unanimous consensus among themselves in respect of all decisions and resolutions passed or proposed to be passed in all meetings of shareholders and directors of our Group; and
- (iv) they have cooperated and shall continue to cooperate with each other to obtain and maintain the consolidated control and the management of our Group.

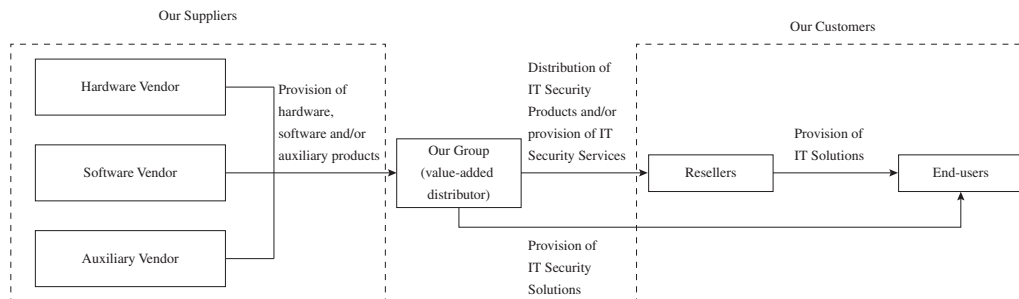
BUSINESS

OVERVIEW

We are a leading IT Security Solutions value-added distributor with our headquarters located in Hong Kong. We introduce IT Security Products and offer IT Security Services to safeguard end-users' IT systems. According to the F&S Report, in terms of revenue generated in 2015, we ranked first amongst the IT Security Solutions distributors in Hong Kong with a market share of approximately 9.2%.

Our business model: As an IT Security Solutions value-added distributor, we introduce IT Security Products and provide related IT Security Services to the local markets. Our suppliers are mainly multinational corporations which provide IT Security Products, including hardware, software and auxiliary products, to our Group. We distribute the IT Security Products and/or provide IT Security Services covering technical implementation services, maintenance and support services and consulting services to our customers. Our customers are mainly IT companies which act as resellers in providing overall IT Solutions to end-users.

The following diagram illustrates our business model:



We consider our provision of IT Security Services to be one of our competitive strengths which distinguishes us from other distributors who only provide logistics services for the distribution of IT Security Products to resellers. We believe that our in-depth knowledge of the industry and technicalities on our vendors' products as well as our experience in the local market allow us (i) to help our vendors to penetrate the local market; (ii) to provide IT Security Services to form IT Security Solutions to customers; and (iii) to ensure that our customers understand how to apply these IT Security Solutions. From an operational perspective, unlike logistics distributors in the traditional sense, (i) we do not have return policy for our customers except for defective hardware replacement, which is covered by the vendors' warranty or product maintenance services (where applicable); and (ii) we generally obtain confirmed orders from our customers before placing purchase orders with our vendors.

For further details of the roles and relationship between vendors, distributors, resellers and end-users, please refer to the paragraph headed "Industry Overview – Overview of the IT Security Solutions Industry" of this prospectus.

BUSINESS

Our pricing model: We determine the prices of our IT Security Solutions on a cost-plus basis, primarily taking into consideration of (i) the type of IT Security Products and/or IT Security Services required; (ii) the cost to be charged by our vendors; and (iii) the technical staff and the relevant labour costs required to complete the projects.

Our revenue: For FY2015, FY2016 and 1H2017, our revenue amounted to approximately HK\$125.5 million, HK\$177.0 million and HK\$102.1 million, respectively. The following table sets forth the breakdown of our revenue by business segments for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
IT Security Products	73,459	58.6	106,901	60.4	53,196	63.0	56,983	55.8
IT Security Services	52,000	41.4	70,098	39.6	31,300	37.0	45,079	44.2
Total	125,459	100.0	176,999	100.0	84,496	100.0	102,062	100.0

Our customers: Customers who place orders with us for distribution of IT Security Products and/or provision of IT Security Services are mainly IT companies which act as resellers in providing IT Solutions to end-users. We also receive orders directly from end-users for the provision of IT Security Solutions in occasions that (i) those end-users have been with us prior to our Group started to operate as a value-added distributor in 2009; and (ii) the end-users are located in markets where we have not yet identified suitable local resellers to partner with when carrying out certain projects, such as the PRC and Mongolia. The end-users to whom our Group provides IT Security Solutions, either directly or through resellers, include government bodies, public utilities, telecommunication companies, financial institutions including licensed corporations under the SFO, insurance companies and educational institutions. We have maintained business relationship, ranging from one year to seven years, with our top five customers during the Track Record Period.

The following table sets forth the breakdown of our revenue by types of customers for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Resellers	97,109	77.4	136,511	77.1	67,085	79.4	82,862	81.2
End-users	28,350	22.6	40,488	22.9	17,411	20.6	19,200	18.8
Total	125,459	100.0	176,999	100.0	84,496	100.0	102,062	100.0

BUSINESS

Our suppliers: Our suppliers are mainly multinational corporations who are vendors of IT Security Products. As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 19 international vendors. In general, we have entered into master agreements with specified territorial coverage with our vendors. As at the Latest Practicable Date, we have maintained business relationship with our top five suppliers during the Track Record Period ranging from one year to ten years.

Our geographical presence: We commenced our business in Hong Kong in 2002 and subsequently expanded to other geographical locations by setting up wholly-owned subsidiaries in the PRC in October 2007, Singapore in April 2013 and Macau in May 2015. In FY2015, FY2016 and 1H2017, approximately 73.4%, 70.2% and 78.0% of our revenue was generated from our customers located in Hong Kong, respectively.

The table below illustrates the breakdown of our revenue by geographical location where our customers are located for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Hong Kong	92,103	73.4	124,338	70.2	61,587	72.9	79,580	78.0
Macau (Note)	18,060	14.4	16,217	9.2	7,335	8.7	7,208	7.0
Mongolia (Note)	1,001	0.8	4,763	2.7	274	0.3	1,517	1.5
The PRC	11,057	8.8	23,794	13.4	12,396	14.7	8,893	8.7
Singapore	3,238	2.6	7,887	4.5	2,904	3.4	4,864	4.8
Total	125,459	100.0	176,999	100.0	84,496	100.0	102,062	100.0

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

Our business objective: to capture the growing business opportunities in the IT Security Solutions market in the Asia Pacific region by (i) strengthening our leading position in the IT Security Solutions market in Hong Kong; and (ii) actively exploring the Singapore and its neighboring markets by expanding our existing operation in Singapore as our Service Hub. We intend to achieve our business objective by:

- (i) continuing to expand our operation in Hong Kong through:
 - (a) establishing the DRC in Hong Kong which provides more comprehensive services to identify the weaknesses in the end-users' IT environment with a proactive approach and to respond to cyber-attacks;
 - (b) expanding our Hong Kong headquarters to cope with our staff expansion and the setting up of the DRC;

BUSINESS

- (c) optimising our corporate operations and processes through upgrading our management information systems by implementing a fully integrated ERP systems, setting up a new web portal and implementing a business analytics platform; and
- (d) upgrading our network infrastructure to cope with our business expansion;
- (ii) replicating our Hong Kong success to Singapore by expanding our existing operation in Singapore as our Service Hub to capture the potential business opportunities in Singapore and its neighboring countries; and
- (iii) increasing our marketing efforts and expanding our workforce.

COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths:

We are a leading IT Security Solutions value-added distributor in Hong Kong with and are able to maintain long-standing partnership with international vendors

According to the F&S Report, in terms of revenue in 2015, we ranked first amongst the IT Security Solutions distributors in Hong Kong with a market share of approximately 9.2%. Our achievements in the IT Security Solutions industry are also reflected by the awards we have received from international vendors, details of which are set out in the paragraph headed “Awards” below.

In addition, we have maintained business relationship, ranging from one year to ten years, with our top five vendors during the Track Record Period. We believe that the vendors have selected to engage us as their distributor and we have been able to maintain our business relationship with them due to (i) our proven track record in introducing their products into local markets in the past; (ii) our established resellers’ network; and (iii) our technical expertise in IT Security which facilitates us to provide IT Security Services to customers.

Leveraging on our in-depth industry knowledge, as well as our partnership with international vendors, we believe that our strong and leading status puts us in a favourable position to capture the overall growing trend and potential business opportunities of the IT Security Solutions industry in the Asia Pacific region.

BUSINESS

We provide IT Security Products from our vendors who are market leaders in their respective fields

We strategically focused on selecting vendors who are market leaders in their respective fields to improve the quality of our IT Security Solutions. According to the F&S Report, the brands of IT Security Products which we distribute are classified as well-established brands in terms of their history, origin, business coverage, product diversity and reputation. The vendors of the IT Security Products are mainly located in U.S., Israel and Europe, where IT development is considered to be more advanced.

Our Group adopts a stringent approach to select and source potential IT Security Products by considering: (i) whether there is a present or foreseeable demand for the selected new products; and (ii) whether the functions of the new products will overlap with our existing ones.

We also keep abreast of the latest market developments in the IT Security Solutions industry in order to broaden and diversify our product portfolio to meet the requirements of our customers. Our Directors believe that the vision and ability of our Group to identify and respond to market trend provides us with a competitive edge to capture the potential market opportunities in the IT Security Solutions market.

We are the only distributor for a number of IT Security Products in designated geographical regions

Although, in line with the industry's practice, we do not enter into any exclusive distributorship agreement with our vendors, a number of our vendors have partnered with us as their only distributor in particular geographical regions. As at the Latest Practicable Date, we are the only distributor of seven vendors of IT Security Products in certain geographical locations, among which we are the only distributor for (i) all of them in Hong Kong; (ii) five of them in Macau; (iii) three of them in Singapore; and (iv) one of them in the PRC. During the Track Record Period, we generated revenue of approximately HK\$27.1 million, HK\$45.1 million and HK\$23.1 million from products of the seven vendors of which our Group acted as their only distributor in particular geographical regions, representing approximately 36.8%, 42.2% and 40.5% of our total revenue for the respective years/period.

Our Directors believe that these vendors retain us as their only distributor primarily because of (i) our experience in the local IT Security markets; (ii) our in-depth technical knowledge on our vendors' products; and (iii) our ability to maintain the established relationship with most of our resellers, who generally have access to a larger pool of corporate end-users. Our Directors believe that continuing to be their only distributor is one of the factors contributing to our success and will continue to drive up our revenue and differentiate us from our competitors.

BUSINESS

We have strong technical expertise and knowledge on IT Security

We keep ourselves updated with the latest IT Security trend and industry-specific requirements. Our Directors believe that our strong technical expertise and knowledge on IT Security differentiate us from other distributors of IT Security Products.

Our five executive Directors collectively have an average of approximately 20 years of experience in IT-related fields while our senior management have an average of approximately 18 years of related experience and have obtained relevant academic qualifications. For biographical details of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

Furthermore, over the years, our employees have accumulated technical knowledge on the IT Security Products and how they could be applied in complex IT environment. As at the Latest Practicable Date, most of our technical staff hold relevant computing related qualifications, approximately half of them, generally senior technical staff who lead projects, have obtained technical certifications from our vendors.

Leveraging on the industry knowledge of our management team and our technical capabilities, we believe that we are able to formulate more effective IT Security Solutions that are able to meet the end-users’ IT Security requirements.

We have an effective channel model

We understand that it is the strategies of our vendors to adopt channel model by appointing local distributors rather than engaging in direct sales with customers. We believe that our vendors adopt channel model because (i) they can save the time and cost to build up a customer network in the local market as our Group has an established resellers’ network; (ii) we have a broad IT Security Products portfolio which can create product synergy for vendor’s products including the smooth integration between different vendors’ products; (iii) we provide IT Security Services according to the specific needs of different customers; and (iv) we help customers understand how to apply these IT Security Solutions in order to ensure that they will have a smooth user experience. Through engaging our Group as distributor, the vendors can focus on other aspects of their operation such as product development.

We are able to promote IT Security Products of our vendors from U.S., Israel and Europe to the local market through our established reseller network. Our resellers generally have access to a larger pool of corporate end-users to whom they provide onsite technical support as part of their ongoing engagements and are more familiar with the end-users’ IT environment. By partnering with these resellers, we can conduct IT Security Services in a more effective manner.

BUSINESS

From the resellers' perspective, we believe that by ordering from us, our resellers could (i) leverage on our technical expertise and knowledge on IT Security Products as they generally focus on the overall IT Solutions rather than solely on the aspect of IT Security; (ii) be more efficient on the administrative level for them as the credit terms and policies of different vendors of IT Security Products vary; and (iii) rely on us to provide maintenance and support services to end-users when needed as many of the vendors do not have a local presence.

The end-users to whom our Group provides IT Security Solutions, either directly or through resellers, include government bodies, public utilities, telecommunication companies, financial institutions including licensed corporations under the SFO, insurance companies and educational institutions. They are often more concerned with IT Security due to their respective compliance and regulatory requirements, as well as cyber security risks and are therefore more willing to adopt new IT Security technologies.

In view of the above, we consider that our Group being an IT Security Solutions value-added distributor, is an important channel between our vendors and customers. We believe that our proven track record to assist our vendors to penetrate the IT Security Products into the local markets and our ability to provide IT Security Solutions to meet the IT Security requirements of corporate end-users are key factors which distinguish us from other distributors.

BUSINESS STRATEGIES

Our business objective is to capture the growing business opportunities in the IT Security Solutions in the Asia Pacific region by (i) strengthening our leading position in the IT Security Solutions market in Hong Kong; and (ii) actively exploring the Singapore and its neighbouring markets by expanding our existing operation in Singapore as our Service Hub. Through the Listing, we aim to enhance our corporate governance and to continue the implementation of the following business strategies.

Broadening of IT Security Products portfolio

Leveraging on our knowledge in the IT Security industry and our business relationship with the vendors, we plan to broaden our IT Security Products portfolio to combat the evolving IT Security threats and address the IT Security requirements of end-users. As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 19 international vendors.

With the expansion of our workforce including sales and IT technical staffs and our established close business relationships with our vendors, our Directors believe that we will be able to keep abreast of the latest developments and trends in the IT Security industry and to explore new products and new vendors based on market information collected from our participation in industry-related conferences and exhibitions and the feedbacks from our existing and potential customers.

BUSINESS

Meanwhile, we strive to secure sole distributorship for products of our vendors in the respective geographical regions, which could lead to better profit margins for our Group. Currently, our Group intends to source additional IT Security Products, in particular application and data security products which are considered by our Directors that there will be a growing demand in the future. With the expansion of our workforce including sales and IT technical staffs in both Hong Kong headquarters and the Singapore Service Hub in the near future, we will be able to introduce more new products to our customers by increasing our marketing efforts and provide IT Security Services to more customers. We believe that the broadening of our IT Security Products portfolio will complement our current products offered by our existing vendors and enable us to achieve higher sales and profitability.

Deepening our market penetration by introducing IT Security Products to reputable corporate end-users

The IT Security Products which we first obtained distributorship are usually new to the local market so our strategy is to focus on reputable corporate end-users initially as we believe that they are more willing to adopt new IT Security technology. Our Directors believe that it is more likely for other end-users to follow the trend when we have created word-of-mouth references among these end-users on the quality of the IT Security Products and IT Security Services. This is how we increase the local market penetration of our vendors' products which in turn drives up our revenue.

Going forward, we plan to continue to work closely with our resellers to widen our end-users base.

Strengthening our sales and marketing and technical support functions

In order to continue to maintain the quality and timely completion of our IT Security Solutions projects and to cope with the expansion of the customers base, we intend to recruit additional staff in Hong Kong and Singapore. In particular, to expand our sales and technical teams to ensure responsive services can be provided for any IT Security incidents encountered by our end-users. In addition, to allow us to capture more business opportunities, we intend to set up the DRC so that we can proactively identify potential IT Security threats in the end-users' IT environment.

Our Group believes that by setting up the DRC together with additional sales and technical staff would strengthen our readiness to capture more business opportunities in the local markets, which in turn can generate more revenue.

With the objective to further build up our corporate image and form a community for IT professionals, we plan to revamp our corporate website to enhance its functionality by adding (i) support case status tracking function; (ii) update on latest IT Security threats; (iii) discussion forum for participants to share IT Security related information; and (iv) online registration for seminars and workshops.

BUSINESS

Expansion of our existing operation in Singapore as our Service Hub

The Singapore government has laid great emphasis on IT industry and has been playing an active role in leading IT construction. To capture these opportunities, our Group has established our wholly-owned Singapore subsidiary in April 2013. Our revenue generated from the customers located in Singapore during the Track Record Period shows an increase of approximately 146.9% from approximately HK\$3.2 million for FY2015 to approximately HK\$7.9 million for FY2016. Further, according to the F&S Report, with the execution of National Cyber Security Masterplan 2018 by the Singapore government coupled with its emphasis on IT Security, it is forecasted that there will be a positive growth of the Singapore's IT Security Solutions market size from USD262.3 million in 2016 to USD652.8 million in 2020, showing a CAGR of 25.6%.

Considering the positive revenue growth from our Singapore segment and the policies and regulations adopted by the Singapore government which are favorable to the growth of IT Security industry, we plan to expand our Singapore office by replicating the business model of our Hong Kong headquarters to Singapore.

Implementation of business strategies

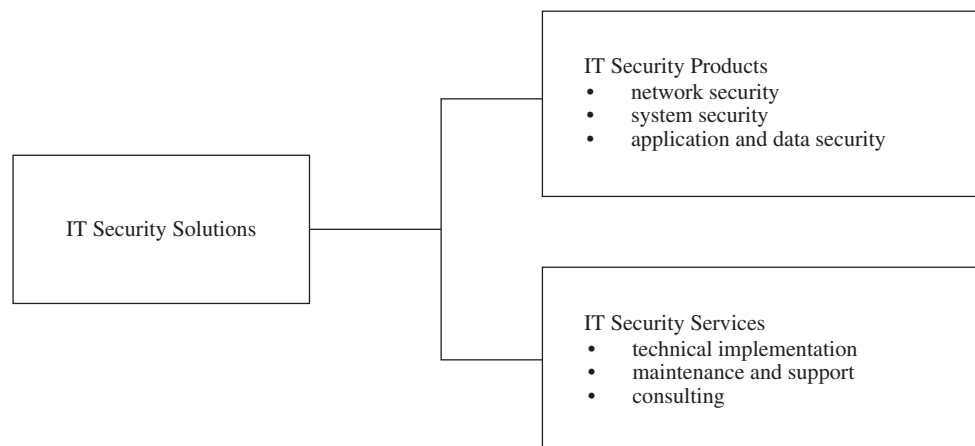
For further details on the implementation of the above-mentioned business strategies, please refer to section headed "Business Objectives and Future Plans" of this prospectus.

FUTURE PLANS

Please refer to the paragraph headed "Business Objectives and Future Plans – Implementation Plans" in this prospectus for a detailed description of our future plans.

OUR PRODUCTS AND SERVICES

The following diagram illustrates the categories of IT Security Products and types of IT Security Services provided by our Group during the Track Record Period:



BUSINESS

The following table below sets forth the breakdown of our revenue by business segments for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
IT Security Products	73,459	58.6	106,901	60.4	53,196	63.0	56,983	55.8
IT Security Services	<u>52,000</u>	<u>41.4</u>	<u>70,098</u>	<u>39.6</u>	<u>31,300</u>	<u>37.0</u>	<u>45,079</u>	<u>44.2</u>
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

IT Security Products

Our Group distributes IT Security Products which comprise of:

- (i) hardware; and
- (ii) software (including subscription rights for receiving updates on the software for a specified period).

The following table sets out the categories of IT Security Products distributed by our Group and their respective key functions:

Categories	Key functions
Network security products	Protect IT network from external threats such as cyber-attacks and regulate internal processes by controlling access and limiting usage (e.g. firewall products).
System security products	Protect system devices such as servers, desktop computers and laptops from cyber-attacks and unauthorised use (e.g. anti-virus or anti-malware products).
Application and data security products	Protect applications and data from being attacked or exploited (e.g. data encryption products).

BUSINESS

The following table sets forth the breakdown of our revenue derived from the IT Security Products segment by types of products for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Network security products	40,233	54.8	48,901	45.8	30,939	58.2	21,146	37.1
System security products	16,030	21.8	39,792	37.2	13,269	24.9	21,954	38.5
Application and data security products	17,196	23.4	18,208	17.0	8,988	16.9	13,883	24.4
Total	73,459	100.0	106,901	100.0	53,196	100.0	56,983	100.0

For details in relation to our product mix, please refer to the paragraph headed “Financial Information – Description of Selected Income Statement Line Items” in this prospectus.

IT Security Services

Our Group also provides IT Security Services which include (i) technical implementation services; (ii) maintenance and support; and (iii) consulting services.

The following table sets forth the breakdown of our revenue derived from the IT Security Services segment by types of services for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Maintenance and support services	40,994	78.8	54,001	77.0	25,056	80.1	34,317	76.1
Technical implementation services	9,698	18.7	14,704	21.0	5,459	17.4	10,313	22.9
Consulting services	1,308	2.5	1,393	2.0	785	2.5	449	1.0
Total	52,000	100.0	70,098	100.0	31,300	100.0	45,079	100.0

BUSINESS

During the Track Record Period, our revenue mix in relation to our provision of IT Security Products has remained relatively stable. For further details, please refer to the paragraph headed “Financial Information – Period to Period Comparison of Result of Our Operations” in this prospectus.

Set out below is the details of the types of IT Security Services that our Group offers:

Technical implementation services

Our technical implementation services help the end-users to apply the technologies of IT Security Products through conducting installation, configuration and integration of IT Security Products into the end-users’ IT environment.

In addition to engaging us for technical implementation services when procuring IT Security Products from us, our customers sometimes also engage us to upgrade the end-users’ existing systems.

Our technical implementation services mainly cover the following services:

Types	Description
Technical design	Understand the specific needs of the end-users to design solution that satisfies end-users’ needs.
Installation and configuration	Install, configure and integrate IT Security Products into the IT environment of the end-user.
Documentation	Provide user manual or document to the end-users setting out the technical design and usage guideline of the IT Security Product.
System handover	Provide basic training to the end-users on how to use the IT Security Products under their existing IT environment.

Maintenance and support services

Our maintenance and support services help to keep the IT Security systems of the end-users in good working order and to identify and resolve problems in the IT Security Products.

BUSINESS

Following (i) the procurement of IT Security Products and completion of our technical implementation projects; or (ii) the expiry of a previous maintenance and support services engagement, we may be engaged to provide maintenance and support services. Our maintenance and support services in general include the following:

Local support

As at the Latest Practicable Date, we have 12 staff providing local support to both our resellers and end-users. We provide hotlines and email address as initial contacts. Through our local support helpdesk, we provide initial assessment on the severity of the problems. For minor issues, we may provide guidance and/or solutions over the phone, by email correspondences or through remote access to the system. For more severe or complex issues, we may provide on-site support services to resolve problems and/or apply updated versions of software at the end-users' premises.

Maintenance

We assist end-users to remedy any defects found in the IT Security Products. In case of a hardware failure, our Group would return the defective hardware back to the vendors for maintenance or replacement and, depending on the scope of services, arrange spare units for use during the maintenance period. In case of a software defect, our Group would diagnose and report the software defect to the vendors for fixing, and apply the repaired version to end-users' IT Security systems.

Provision of consulting services

Our consulting services focus on helping end-users to assess their security posture and risks over their IT systems and applications, and enhance their overall IT Security with recommendations.

The major types of consulting services provided by us are as follows:

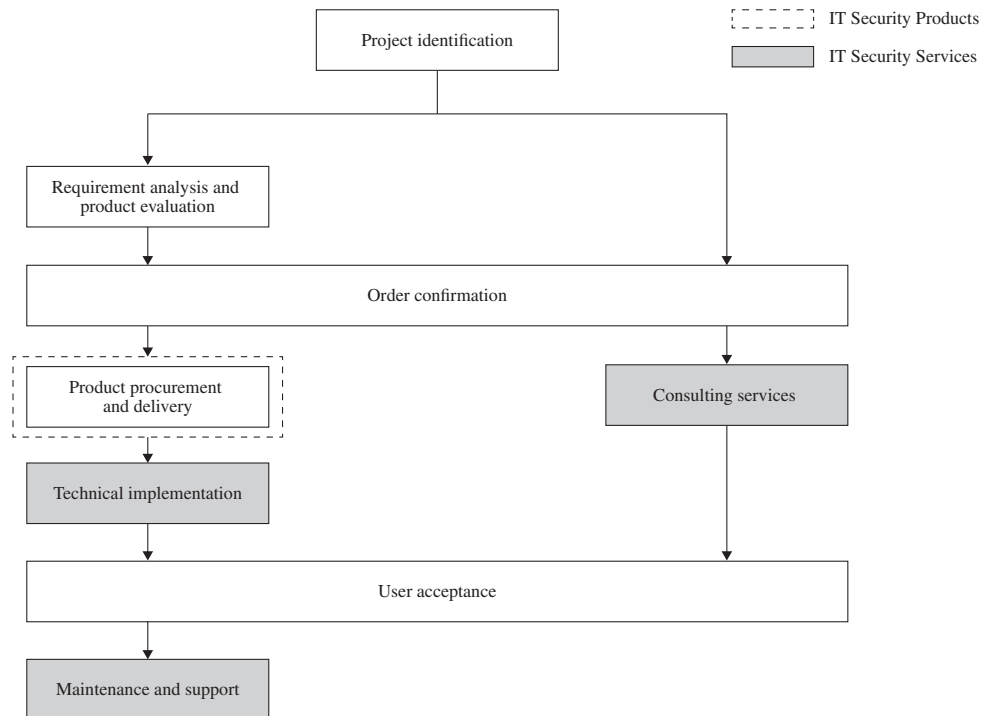
Types	Description
Firewall optimisation	Review end-users' firewall configurations, policies, and risk settings and identify redundant firewall rules, in order to recommend the optimal configurations for firewalls.
Network visualisation	Review end-users' network equipment configurations, and create a map to visualise the data flow in the entire network.

BUSINESS

Web application security assessment	Assess end-users' websites and web applications to identify any weaknesses and vulnerabilities that could be exploited by an external hack, and to recommend remediation actions over those vulnerabilities.
System and network vulnerability assessment	Assess end-users' internal and external systems and networks to identify any weaknesses and vulnerabilities that could be exploited, and to recommend remediation actions over those vulnerabilities.
Penetration testing	Attempt to hack or penetrate into end-users' network or applications with intrusion techniques in order to identify any potential weaknesses that can be exploited from outsiders' perspectives.
Security architecture and governance review	Review and recommend changes over the end-users' security architecture and governance policies and processes, after understanding end-users' business and technical needs.

WORKFLOW OF OUR BUSINESS

The following diagram illustrates the general operation for (a) distribution of IT Security Products; and (b) provision of our IT Security Services including: (i) technical implementation services; (ii) maintenance and support services; and (iii) consulting services:



BUSINESS

Project identification

We generally identify business opportunities through pitching by organising marketing activities such as luncheons, seminars, workshops and participating in public events and forums in relation to the IT Security industry. At times, our existing customers and vendors may give us referral leads. Our sales team is responsible for generating business leads from both existing and potential customers and is also responsible for maintaining close business relationship with our vendors and follow up referral leads from them. Our sales team also works with our resellers in order to assist them in exploring opportunities with the end-users.

Requirement analysis and product evaluation

When a potential opportunity is identified, we will discuss with the end-users to understand their existing system and IT environment, gather the IT Security requirements from the end-users, and propose the required IT Security Solutions.

If IT Security Products are required as part of the IT Security Solutions, we may conduct product evaluation with our end-users if required by them. The objective is to allow the end-users to understand the IT Security Products and ensuring that the IT Security Products could meet their requirements.

Order confirmation – issuance of purchase order or signing of contract

Once the product evaluation is completed and the scope of work is agreed, we will negotiate on the price with our resellers. Our resellers generally place purchase orders with us once the final pricing is agreed. In some occasions, our resellers will enter into a contract with us instead.

In occasions where we provide IT Security Solutions to the end-users directly, we negotiate the price with the end-users and such end-users place purchase order or enter into a contract with us directly.

Product procurement and delivery

In general, upon receiving the purchase order or signing contract with our resellers or end-users, as the case may be, if the procurement of the IT Security Products is required, we will place purchase orders with our vendors based on the customers' needs and specification to procure the IT Security Products required from our vendors.

We monitor the shipment and logistics progress of the IT Security Products to meet the delivery time as set out in the purchase order or contract.

BUSINESS

Hardware are normally delivered to our warehouse by our vendors before they are delivered to our customers. We will then arrange delivery to our resellers or end-users after checking the content of the delivery. Upon signing off the delivery note which specified the brand, specifications and quantity of hardware, the delivery is considered completed.

For software, once the software is delivered in the form of emails with the download links and activation keys to our resellers or end-users, the delivery is considered completed.

Unlike logistics distributors in the traditional sense we do not have return policy for our customers except for defective hardware replacement.

Technical implementation

Based on the implementation plan agreed by the end-users, we install, configure and integrate IT Security Products into the end-users' IT environments.

We will then document the technical design in writing and provide the end-users with administration instructions and training materials to enable them to administrate the IT Security Products in their IT environment.

Generally, the duration of the technical implementation stage varies from three to six months, depending on factors including (i) scope of work; and (ii) technical complexity.

User acceptance

Once the IT Security Products are installed and configured into the end-users' IT environment, we will prepare an user acceptance test plan with the end-users. The user acceptance test plan in general sets out the functions of the products and the performance of the products under different scenarios, for example, whether the IT Security Solutions can perform a certain function.

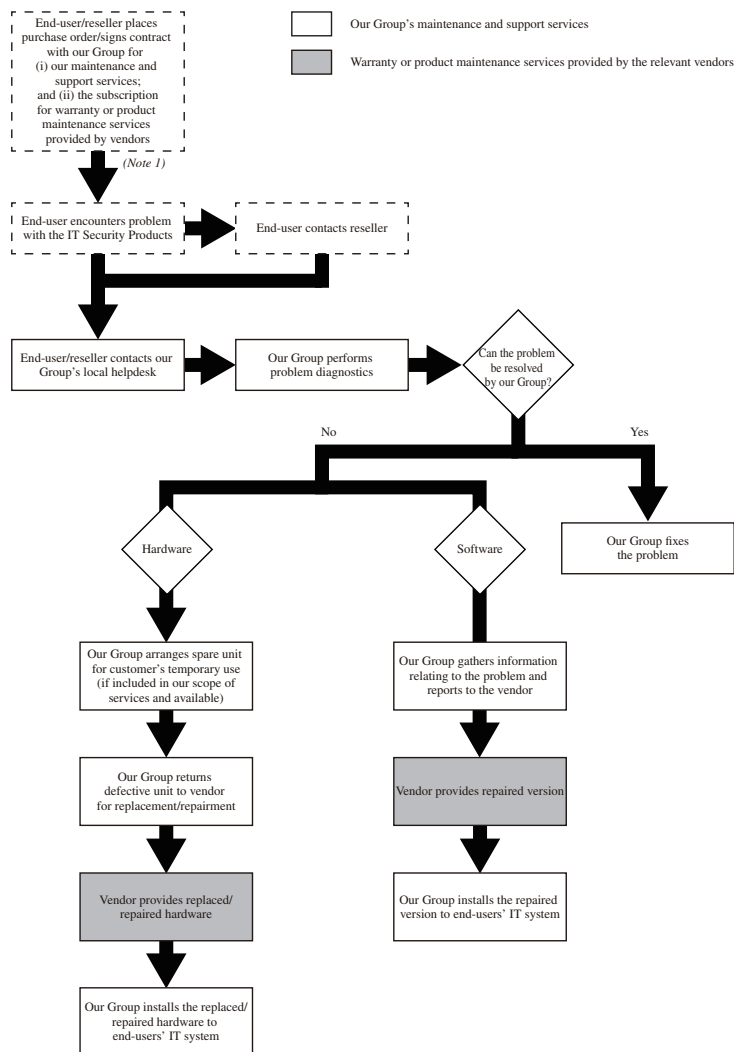
Once the user acceptance test plan is agreed by the end-users, they will perform the user acceptance testing while we will provide support if necessary. If problems are discovered during user acceptance testing, we will fix the problem and the user acceptance testing will be performed again to the satisfaction of the end-users. After the user acceptance testing is fully completed and successful, the end-users will confirm user acceptance and our technical implementation services are considered completed.

BUSINESS

Maintenance and support

Following (i) the procurement of IT Security Products and completion of our technical implementation projects; or (ii) the expiry of a previous maintenance and support services engagement, we may be engaged to provide maintenance and support services. On an annual retainer basis, our reseller or end-user, as the case may be, pays us a service fee for (i) maintenance and support services provided by us; and (ii) warranty or product maintenance services provided by the relevant vendors. Upon receiving such engagement, we engage the relevant vendor to provide warranty and product maintenance services.

The following diagram illustrates the process of providing maintenance and support services:



Note:

- End-user/reseller pays us service fees for (i) maintenance and support services provided by us; and (ii) warranty or product maintenance services provided by the relevant vendors. Our Group pays the vendor the amount that they charge for the warranty or product maintenance services.

BUSINESS

When the end-users encounter problem with the IT Security Product, they may contact (i) the reseller, who will then contact our local helpdesk; or (ii) our local helpdesk directly, through telephone or email. Our local helpdesk personnel will redirect the problems to the relevant technical staff. Our technical staff will then carry out problem diagnostics by gathering system log, trace or screen capture and try to resolve the problem remotely. If such problem cannot be tackled over telephone, email or remote access, our technical staff may have to provide on-site support. If the problem can be resolved by our Group, we will fix the problem on our own.

In the event that a defect in the hardware is identified which our Group cannot resolve on our own, we will send the defective hardware to the vendor for repair or replacement. During the repair or replacement, we may arrange spare units for customer's temporary use if such service is included in our scope of services and such spare units are available. After the unit is being replaced or repaired by the vendor, we will install the hardware to the end-user's IT system.

In the event that a defect is found in the software which our Group cannot resolve on our own, we may perform testing to identify the underlying cause and report such defect to the vendors for fixing and to install the repaired version to end-users IT system when a repaired version is provided by the vendor.

The vendors of IT Security Products generally provide warranty or product maintenance services for a prescribed period in respect of their products. As warranty or product maintenance services for the IT Security Products are provided by the respective vendor rather than by our Group, no provisions for warranty has been made by our Group during the Track Record Period.

Consulting services

Based on the scope of work approved by our resellers or end-users, as the case may be, we identify whether there are any risks and vulnerabilities by reviewing and assessing the end-users' IT environment including, firewall, network, system and web application. In some cases, we will also perform penetration testing, simulating as a hacker and attempt to access to the system and data of the end-users in order to identify any potential flaws or risks. Upon completion of a project, we would deliver recommendations with remedial actions, where applicable, to the resellers or end-users, as the case may be.

The duration of the provision of consulting service is generally less than three months, depending on factors including (i) the scope of work; and (ii) technical complexity.

BUSINESS

CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, we have served over 300 customers. Our customers are mainly divided into two categories, namely: (i) resellers; and (ii) end-users. The resellers are mainly IT companies which provide overall IT Solutions to end-users while end-users include government bodies, public utilities, telecommunication companies, financial institutions including licensed corporations under the SFO, insurance companies and educational institutions.

Resellers

Resellers generally provide a wide range of hardware and/or software and to provide overall IT Solutions to end-users. As our Group is mainly engaged in the provision of IT Security Solutions, we partner with the resellers in providing IT Security Solutions, which may be part of an overall IT Solutions, to end-users. Our Directors consider that our channel model in which we promote the IT Security Products to the local market through our reseller network strengthens our ability to capture the market share by reaching to a wider range of end-users.

When a potential project is identified, we partner with resellers to gather the end-users' requirements and we may conduct product evaluation with the end-users. When the project is confirmed, the resellers contract with us for the IT Security Solutions required by the end-users. Nevertheless, we would directly liaise with end-users in the course of delivery of the IT Security Solutions.

End-Users

Since 2009, we have switched our position from a reseller, directly contracting with end-users, to an IT Security Solutions value-added distributor, who works with resellers. Nevertheless, there remains some end-users which have been our direct customers since our inception and as a result, we may continue to contract with them directly instead of channeling through resellers. In addition, for certain markets in which the IT Security Solutions market development is still at an early stage such as the PRC and Mongolia, we opt for directly liaising and contracting with end-users for provision of IT Security Solutions if we have not yet identified suitable local resellers to partner with when carrying out certain projects. In the event that an end-user directly approach us for IT Security Solutions, we generally will not directly contract with them and would refer them to resellers and provide IT Security Solutions through resellers.

BUSINESS

The following table sets forth the breakdown of our revenue by types of customers for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Resellers	97,109	77.4	136,511	77.1	67,085	79.4	82,862	81.2
End-users	<u>28,350</u>	<u>22.6</u>	<u>40,488</u>	<u>22.9</u>	<u>17,411</u>	<u>20.6</u>	<u>19,200</u>	<u>18.8</u>
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

The table below illustrates the breakdown of our revenue by geographical locations where our customers are located for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Hong Kong	92,103	73.4	124,338	70.2	61,587	72.9	79,580	78.0
Macau <i>(Note)</i>	18,060	14.4	16,217	9.2	7,335	8.7	7,208	7.0
Mongolia <i>(Note)</i>	1,001	0.8	4,763	2.7	274	0.3	1,517	1.5
The PRC	11,057	8.8	23,794	13.4	12,396	14.7	8,893	8.7
Singapore	<u>3,238</u>	<u>2.6</u>	<u>7,887</u>	<u>4.5</u>	<u>2,904</u>	<u>3.4</u>	<u>4,864</u>	<u>4.8</u>
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

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

Major customers

During the Track Record Period, our five largest customers accounted for approximately 40.5%, 37.6% and 38.8% of our revenue respectively, among which, our largest customer accounted for approximately 9.1%, 10.2% and 11.8% for the respective periods.

BUSINESS

Set out below is certain information of our five largest customers, based on the ranking of our revenue attributable to our Group, during the Track Record Period:

For the year ended 31 March 2015

Rank	Customer (Note 1)	Principal business activities	Products/services provided by our Group	Length of relationship with our Group as at the Latest Practicable Date (year(s))	Approximate total amount of revenue HK\$'000	Approximate % of total revenue
1	Customer A	It is a private company incorporated in Macau, which is principally engaged in the provision of system integration, including configuration of hardware and software system, network consolidation and structure cabling, IT Security and consulting service.	IT Security Products and IT Security Services	2	11,387	9.1
2	Customer B (Note 2)	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in the provision of IT Solutions and services including security system installation and maintenance, information technology consultancy, computer equipment installation and maintenance etc.	IT Security Products and IT Security Services	7	11,087	8.8
3	Customer C	It is a private company incorporated in Hong Kong, which is principally engaged in the provision of network design and consulting services, network optimisation, audits and security assessment, software system integrations and customisations, project management services, help desk and engineering support services.	IT Security Products and IT Security Services	4	11,027	8.8
4	Customer D	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is mainly engaged in provision of telecommunication service including local data and broadband, international telecommunications, mobile, other services such as customer premises equipment sales, outsourcing consulting and contact centers.	IT Security Products and IT Security Services	6	10,485	8.4
5	Customer E	It is a Hong Kong subsidiary of a listed company in Japan, which is principally engaged in providing information technology and computer service including trading of telecommunication equipment and provision of services on information technology, computer networking, web development, system integration and development.	IT Security Products and IT Security Services	5	6,835	5.4
Sub-total					50,821	40.5

BUSINESS

For the year ended 31 March 2016

Rank	Customer (Note 1)	Principal business activities	Products/services provided by our Group	Length of relationship with our Group as at the Latest Practicable Date (year(s))	Approximate total amount of revenue HK\$'000	Approximate % of total revenue
1	Customer B (Note 2)	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in the provision of IT Solutions and services including security system installation and maintenance, information technology consultancy, computer equipment installation and maintenance, etc.	IT Security Products and IT Security Services	7	18,134	10.2
2	Customer D	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is mainly engaged in provision of telecommunication service including local data and broadband, international telecommunications, mobile, other services such as customer premises equipment sales, outsourcing consulting and contact centers.	IT Security Products and IT Security Services	6	16,862	9.5
3	Customer C	It is a private company incorporated in Hong Kong, which is principally engaged in the provision of network design and consulting services, network optimisation, audits and security assessment, software system integrations and customisations, project management services, help desk and engineering support services.	IT Security Products and IT Security Services	4	14,666	8.3
4	Customer E	It is a Hong Kong subsidiary of a listed company in Japan, which is principally engaged in providing information technology and computer service including trading of telecommunication equipment and provision of services on information technology, computer networking, web development, system integration and development.	IT Security Products and IT Security Services	5	10,895	6.2
5	Customer F	It is a Macau branch office of a private company incorporated in Hong Kong which is held by a listed company in Japan. It is principally engaged in the provision of IT and telecommunication solutions and service such as public switching system, information processing system.	IT Security Products and IT Security Services	1	5,989	3.4
Sub-total					66,546	37.6

BUSINESS

For the six months ended 30 September 2016

Rank	Customer (Note 1)	Principal Business Activities	Products/services provided by our Group	Length of relationship with our Group as at the Latest Practicable Date (year(s))	Approximate total amount of revenue HK\$ '000	Approximate % of total revenue
1	Customer C	It is a private company incorporated in Hong Kong, which is principally engaged in the provision of network design and consulting services, network optimisation, audits and security assessment, software system integrations and customisations, project management services, help desk and engineering support services.	IT Security Products and IT Security Services	4	12,007	11.8
2	Customer D	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is mainly engaged in provision of telecommunication service including local data and broadband, international telecommunications, mobile, other services such as customer premises equipment sales, outsourcing consulting and contact centers.	IT Security Products and IT Security Services	6	8,380	8.2
3	Customer B (Note 2)	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in the provision of IT Solutions and services including security system installation and maintenance, information technology consultancy, computer equipment installation and maintenance, etc.	IT Security Products and IT Security Services	7	8,194	8.0
4	Customer E	It is a Hong Kong subsidiary of a listed company in Japan, which is principally engaged in providing information technology and computer service including trading of telecommunication equipment and provision of services on information technology, computer networking, web development, system integration and development.	IT Security Products and IT Security Services	5	6,780	6.7
5	Customer G	It is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in providing conferencing solution.	IT Security Products and IT Security Services	5	4,199	4.1
Sub-total					39,560	38.8

Notes:

- All of our largest customers for FY2015, FY2016 and 1H2017 are resellers.
- During the Track Record Period, Edvance Technology (SG) has purchased some software from Customer B in a one-off transaction for another customer. For FY2015, FY2016 and 1H2017, Customer B engaged Edvance Technology (HK) to provide IT Security Products and IT Security Services and accounted for approximately 8.8%, 10.2% and 8.0% of our total revenue for the respective periods. During the same period, our purchase from such customer accounted for nil, approximately 1.8% and 0.5%, of our total cost of sales, respectively.

BUSINESS

To the best knowledge of our Directors, none of our Directors, chief executives or their respective close associates or our existing Shareholders who own more than 5% of the issued share capital of our Company, has or had any interest in any of our five largest customers during the Track Record Period. During the Track Record Period, our Group had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. Our Directors further confirmed that they are not aware of any material financial difficulties experienced by any of our major customers that may materially affect our Group's business.

Salient terms of the contracts or purchase orders with our customers

During the Track Record Period, the contracts or purchase orders we entered into with our resellers or end-users, as the case may be, generally contained the following summarised terms:

For IT Security Products

- | | | |
|--|---|---|
| Product description | : | Set out the brand, model number, quantity and unit price of the IT Security Products to be provided. |
| Major obligations of our Group | : | We shall deliver the IT Security Products in the quantities and at the prices on or before the agreed delivery date as set out in the relevant contract or purchase order and contact the vendor for repair or replacement of defective products during the vendor's warranty period. |
| Major obligations of our customers | : | Our customers shall pay us the agreed amount as set out in the contract or purchase order within the credit period stipulated. |
| Payment | : | Full payment upon delivery or according to a payment schedule. |
| Credit terms | : | Generally 30 to 60 days upon issuance of invoice. |
| Delivery leadtime | : | Within a fixed period of time, in general, within one month upon confirmation of the purchase order. |
| Warranty or product maintenance services | : | The vendors generally provide warranty or product maintenance services for a prescribed period in respect of their products. |

BUSINESS

For IT Security Services

Technical implementation services:

- Scope of work : Set out the initial assessment involved, the scope of implementation services e.g. the types of report and documentation to be provided.
- Duration : Depending on the scope of work to be provided, may varies from three to six months.
- Major obligations of our Group : We are generally required to (i) install, configure and integrate the IT Security Products into the end-users' IT environment; (ii) provide the end-users with the documentation as agreed; and (iii) keep information and documents received from the customers during the course of our services confidential.
- Major obligations of our customers : Our customers shall pay us the agreed amount within the credit period as set out in the contract or purchase order.
- Payment : Generally stage payment according to schedule.
- Credit terms : Generally 30 to 60 days upon issuance of invoice.
- Termination : By mutual agreement.

Maintenance and support services:

- Scope of work : Set out the brand and model of the IT Security Products and the type of maintenance service and scope of support (e.g. telephone, email or onsite) to be provided.
- Duration : Usually for a fixed term ranging from approximately one to three year(s).
- Major obligations of our Group : We are generally required to (i) provide the level of maintenance and support services as set out in the contract or purchase order during the agreed period; (ii) arrange for repairment or replacement of defective hardware with the vendor; and (iii) liaise with the vendor to arrange fixing and installation of repaired version of defective software.

BUSINESS

Major obligations of our customers : Our customers shall pay us the agreed amount within the credit period as set out in the contract or purchase order.

Payment : Generally full payment upon commencement of the support services period.

Credit terms : Generally 30 to 60 days upon issuance of invoice.

Termination : By mutual agreement.

Consulting services:

Scope of work : Set out the methodology to be used in the review, the scope of the review and the deliverable to be provided.

Duration : Depending on the scope of work to be provided, usually completed in less than three months upon confirmation of the project.

Major obligations of our Group : We are generally required to (i) review and assess the end-users' IT environment based on the scope of work agreed; and (ii) deliver recommendations to the customers.

Major obligations of our customers : Our customers shall pay us the agreed amount within the credit period as set out in the contract or purchase order.

Payment : Generally stage payment according to schedule.

Credit terms : Generally 30 to 60 days upon issuance of invoice.

Termination : By mutual agreement.

Pricing policy

We determine the prices of the IT Security Solutions on a cost-plus basis, primarily taking into considerations of (i) the type of IT Security Products and/or IT Security Services required; (ii) the cost to be charged by our vendors; and (iii) the technical staff and the relevant labour costs to be charged by our Group to complete the projects. During the Track Record Period, our Group has not experienced any material costs overruns.

BUSINESS

Credit policy and payment methods

Our 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 and/or the past collection history of each customer.

We generally issue invoices to our customers either upon delivery of the IT Security Products or in accordance with a fee schedule in relation to our provision of IT Security Services. We generally grant a credit period of 30 to 60 days to our customers upon issuance of our invoices.

We closely monitor the settlement status of our trade receivables and will regularly review the credit terms. In particular, we keep track of the project status and payment settlement to ensure timely settlement from our customers.

Our invoices are denominated in HK\$, USD, RMB or S\$, and are generally settled by our customers by way of cheque or bank transfer.

SALES AND MARKETING

As at the Latest Practicable Date, we have a sales team comprising of 23 members based in Hong Kong, the PRC and Singapore. As part of our Group's marketing promotional strategies, we intend to put additional sales and marketing efforts to increase our sales and market share in Hong Kong and the Singapore markets. Our sales personnel are responsible for maintaining our customers' contact, explore business opportunities, and promoting our brand awareness through hosting or co-hosting with our vendors marketing activities such as seminars and workshops. The workshops enable end-users to understand the IT Security Products, use the IT Security Products more effectively and efficiently and allow them to make minor adjustments whenever necessary in order to suit their own IT environment and business needs. For our reseller customers, the workshops enable them to perform better as system integration partners by deepening their knowledge on the IT Security Products so that they can offer better installation and long-term support services for their customers (i.e. the end-users). During the Track Record Period, we have hosted or co-hosted with our vendors over 40 workshops or seminars. In addition, we have participated in industry-related marketing events to keep abreast of the latest market developments in the IT Security Solutions industry and IT technological changes. Going forward, we intend to participate in more sale and marketing activities and/or host or co-host more seminars and workshops with our vendors so that we can keep abreast of the latest market developments.

Apart from sourcing our business through referrals by existing customers and our vendors, we also participated in industry-related conferences and exhibitions to introduce new IT Security technologies, development trends in the industry or best practices in relation to IT Security to our potential customers.

BUSINESS

During the Track Record Period, our marketing expenses accounted for approximately HK\$0.1 million, HK\$0.5 million and HK\$0.4 million, respectively, representing approximately 0.1%, 0.3%, and 0.4% of our revenue, respectively.

SUPPLIERS

Our suppliers are mainly multinational corporations which are vendors of IT Security Products. As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 19 international vendors. In general, we have entered into master agreements with specified territorial coverage with our suppliers. We have maintained business relationship, ranging from one year to ten years with our top five suppliers during the Track Record Period. The established relationships with our vendors have allowed us to receive strong support and resources from them.

In addition, for some vendors, we are required to use our best efforts to achieve prescribed sales target set by our vendor. If we fail to achieve such prescribed sales target, the vendor may (i) terminate the master agreement; or (ii) change the level of discount given to our Group. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, no master agreement has been terminated and no change has been made by the vendors to the level of discount given to our Group due to our failure to achieve sales target.

Upon achieving certain sales performance targets, we will receive sales incentives in the form of credit notes or cash from some of our vendors. During the Track Record Period, we have received sales incentives of nil, approximately HK\$0.1 million and HK\$0.1 million, respectively.

In general, our suppliers grant us a credit term of 30 to 60 days and we settle our payment by cheque or bank transfer.

Vendor selection

When selecting and evaluating a potential vendor, we generally consider (i) the portfolio of IT Security Products offered by such potential vendor; (ii) the pricing of the IT Security Products; and (iii) the quality of the IT Security Products.

Once a vendor has been chosen, we approach the vendor to discuss details on business cooperation and execute a distributorship agreement with the vendor. Please refer to the paragraph headed “Business – Suppliers – Salient terms of the master agreements” below for further details.

Major suppliers

During the Track Record Period, our cost of sales amounted to approximately HK\$87.9 million, HK\$123.8 million and HK\$75.0 million, respectively; and the five largest suppliers accounted for approximately 77.1%, 58.4% and 62.3% of our total cost of sales, among which the largest suppliers accounted for approximately 35.0%, 14.6% and 24.0% of our total cost of sales in the corresponding periods.

BUSINESS

The following table sets out certain information of our five largest suppliers, based on the ranking of cost of sales incurred by our Group, during the Track Record Period:

For the year ended 31 March 2015

Rank	Supplier	Principal business activities	Products/services procured by our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date (year(s))	Approximate total amount of purchases (HK\$'000)	Approximate % of total cost of sales
1	Vendor A (Note 1)	It is a private company incorporated in the Netherlands and subsidiary of a listed company on NYSE, which is principally engaged in the provision of IT Security products such as firewall, endpoint protection and threat intelligence cloud	IT Security Products and IT Security Services	3	30,763	35.0
2	Vendor B	It is a listed company on NYSE incorporated in the United State of America, which is principally engaged in the provision of data and application security solutions	IT Security Products and IT Security Services	7	15,383	17.4
3	Vendor C (Note 2)	It is a Hong Kong subsidiary of a listed company on NYSE, which is principally engaged in provision of computer equipment installation and maintenance, computer networking and IT outsourcing services	IT Security Products and IT Security Services	7	8,672	9.9
4	Vendor D	It is a listed company on NASDAQ, which is principally engaged in the provision of IT Security solutions focusing on privilege access management	IT Security Products and IT Security Services	10	8,603	9.8
5	Vendor E	It is a Hong Kong subsidiary of a listed company on Euronext, which is principally engaged in the provision of logistic and supply chain management software design and electronic business solution	IT Security Products and IT Security Services	10	4,374	5.0
Sub-total					67,795	77.1

BUSINESS

For the year ended 31 March 2016

Rank	Supplier	Principal business activities	Products/services procured by our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date (year(s))	Approximate total amount of purchase (HK\$'000)	Approximate % of cost of sales
1	Vendor D	It is a listed company on NASDAQ, which is principally engaged in the provision of IT Security solutions focusing on privilege access management	IT Security Products and IT Security Services	10	18,015	14.6
2	Vendor A (Note 1)	It is a private company incorporated in the Netherlands and subsidiary of a listed company on NYSE, which is principally engaged in the provision of IT Security products such as firewall, endpoint protection and threat intelligence cloud	IT Security Products and IT Security Services	3	17,055	13.8
3	Vendor B	It is a listed company on NYSE incorporated in the United State of America, which is principally engaged in the provision of data and application security solutions	IT Security Products and IT Security Services	7	14,104	11.4
4	Vendor F	It is a Singapore subsidiary of a listed company on NASDAQ, principally engaged in the provision of cyber security solution such as network based antivirus firewall systems for real-time network protection	IT Security Products and IT Security Services	2	14,006	11.3
5	Vendor G	It is a private company incorporated in Ireland, which is principally engaged in the provision of network access solutions for mobile enterprise	IT Security Products and IT Security Services	2	9,123	7.3
Sub-total					72,303	58.4

BUSINESS

For the six months ended 30 September 2016

Rank	Suppliers	Principal business activities	Products/services procured by our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date (year(s))	Approximate total amount of purchases (HK\$'000)	Approximate % of total cost of sales
1	Vendor F	It is a Singapore subsidiary of a listed company on NASDAQ, principally engaged in the provision of cyber security solution such as network based antivirus firewall systems for real-time network protection	IT Security Products and IT Security Services	2	17,967	24.0
2	Vendor D	It is a listed company on NASDAQ, which is principally engaged in the provision of IT Security solutions focusing on privilege access management	IT Security Products and IT Security Services	10	10,838	14.5
3	Vendor B	It is a listed company on NYSE incorporated in the United State of America, which is principally engaged in the provision of data and application security solutions	IT Security Products and IT Security Services	7	10,190	13.5
4	Vendor G	It is a private company incorporated in Ireland, which is principally engaged in the provision of network access solutions for mobile enterprise	IT Security Products and IT Security Services	2	4,327	5.8
5	Vendor H	It is a private company incorporated in the United State of America, which is principally engaged in the provision of network security solution such as continuous network monitoring and vulnerability management services.	IT Security Products and IT Security Services	1	3,365	4.5
Sub-total					46,687	62.3

BUSINESS

Notes:

1. During the Track Record Period, our Group has a disagreement on the settlement of certain purchaser orders with Vendor A in 2015. Edvance Technology (HK) entered into a distributorship agreement with Vendor A in April 2013 (the “**Agreement**”). In early 2015, Vendor A referred an end-user (the “**User**”) to Edvance Technology (HK) for the purchase of certain IT Security Products (“**Batch A**”) in the sum of approximately HK\$4,312,433 (“**Batch A Purchase Price**”). In that occasion, Vendor A has requested and Edvance Technology (HK) has agreed to issue a purchase order to Vendor A for Batch A before obtaining the signed purchaser order from the User. However, when Batch A was subsequently shipped and Edvance Technology (HK) has settled the entire Batch A Purchase Price, the User did not proceed with the purchase for Batch A. Despite of the incident and in view of the ongoing business relationship, Edvance Technology (HK) continued to place purchase orders with Vendor A and Vendor A continued to supply IT Security Products to Edvance Technology (HK). During the period from April 2015 to June 2015, Edvance Technology (HK) placed certain purchase orders for IT Security Products (“**Batch B**”) with Vendor A in a sum of approximately HK\$4,341,602 (“**Batch B Purchase Price**”) for other end-user customers and Vendor A has delivered the IT Security Products accordingly. Since Edvance Technology (HK) has paid for Batch A which Vendor A failed to secure the User as agreed, Edvance Technology (HK) proposed to Vendor A that they intended to settle the Batch B Purchase Price with the Batch A Purchase Price paid by Edvance Technology (HK) to Vendor A. Since Batch B Purchase Price is HK\$29,169 more than Batch A Purchase Price, Edvance Technology (HK) also proposed that should Vendor A accept the aforesaid proposal, they will also settle the difference of HK\$29,169 as well as returning the stock of Batch A to Vendor A. However, this proposal was not accepted by Vendor A.

During June 2015 and December 2015, our Company has been referred to various personnel in different departments of Vendor A and other settlement methods have also been proposed expressing the Company’s intention to settle the Batch B Purchase Price but no agreements between the parties had been concluded, while the Agreement was terminated in August 2015. On 18 December 2015, the issue has been redirected to the legal and compliance department of Vendor A for follow-up, notwithstanding follow-up e-mails have been sent, no settlement method has been provided. Our Group has subsequently sold Batch A in about March 2016 to another customer without the assistance of Vendor A at a loss of approximately HK\$1.0 million.

In March 2016, Edvance Technology received a letter from Vendor A’s legal advisers requested for the payment of the outstanding sum and all accrued interest, fees and costs etc., in connection with Batch B. In April 2016, Edvance Technology (HK) instructed their legal advisers to reply by reiterating the above background of this disagreement, no reply from Vendor A and its legal advisers has been received since then. Then in about September 2016, various subsequent emails from our PRC Legal Advisers has been sent to Vendor A’s legal advisers, no response from Vendor A or its legal advisers, including the amount of fees and costs it intended to claim, has been received up to the Latest Practicable Date. Due to the change of the contact person of Vendor A and the lack of response from both Vendor A and its legal advisers, it is impractical for our Company to settle the disagreement with Vendor A. Our Directors confirmed that no legal proceedings have been initiated by Vendor A against Edvance Technology (HK) as at the Latest Practicable Date.

Considering our various subsequent follow-up emails to Vendor A’s legal advisers since September 2016 but no response from the legal advisers of Vendor A has been received up to the Latest Practicable Date, our Directors has not made provision for the accrued interest, fees and costs in relation to the claim since our Directors are of the view that (i) we have expressed our intentions to Vendor A to negotiate the settlement proposal since June 2015 and we then intend to fully settle the Batch B Purchase Price in cash; (ii) no feedbacks from Vendor A has been received up to the Latest Practicable Date; and (iii) the accrued interests, fees and costs to be incurred primarily due to the absence of the response from Vendor A

BUSINESS

regarding the settlement proposal, which would be unreasonable for our Group to bear. Further, in case that Vendor A pursues its claims against our Group, our Controlling Shareholders shall indemnify us against all losses, costs and liabilities arising from such claims.

Our Company will make announcement as and when appropriate to keep the shareholders and potential investors of the Company informed of any development of settlement of Batch B with Vendor A. The amount of Batch B shall remain in trade payable until settlement of the disagreement has been reached.

2. During the Track Record Period, Edvance Technology (HK) has provided IT Security Services to Vendor C. For FY2015, FY2016 and 1H2017, our purchases from Vendor C accounted for approximately 9.9%, 5.3% and 2.8% of our total cost of sales respectively. During the same period, our sales to Vendor C accounted for approximately 0.5%, 0.6% and 0.8% of our revenue for the respective periods.

To the best knowledge of our Directors, none of our Directors, chief executives or their respective close associates or our existing Shareholders who own more than 5% of our Company's issued share capital, has or had any interests in any of our five largest suppliers during the Track Record Period. In addition, our Directors confirm that, we did not experience any material shortage or delay of supply due to defaults of our suppliers.

Salient terms of the master agreements

Generally, we have entered into legally binding master agreements with our vendors. The terms of the master agreements vary, in most cases, the common terms are generalised below:

- | | | |
|--------------------------------|---|--|
| Product description | : | There is usually a general description of the type of products which our Company is authorised to sell. |
| Non-exclusivity and territory | : | We are authorised to be a non-exclusive distributor of the vendors' products in predefined geographical locations. |
| Term | : | Generally one year from date of agreement and shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement. |
| Major obligations of our Group | : | We are normally required to (i) use our best or reasonable commercial efforts to market, advertise and promote the products and services of our vendor; (ii) provide maintenance, training and support to customers depending on the arrangements with the relevant vendor; (iii) provide sales report and/or forecast periodically to our vendor; (iv) maintain a prescribed number of staffs who have obtained technical certification from the relevant vendor; and (v) use reasonable effort to protect the intellectual property rights of the vendors. |

BUSINESS

- Major obligations of our vendors : Our vendors generally (i) warrant for a certain period that the product will perform in accordance with its product specifications for a certain period upon delivery and the vendors will repair or replace the defective products; and (ii) provide us with training and support.
- Pricing : The pricing of the products is referred to the vendors' then current price list at the time of placing of each order less certain percentage of discount off the original product price (if applicable).
- Payment method : We are normally required to pay by cheque or bank transfer.
- Credit term : Generally 30 to 60 days from the date of invoice.
- Termination : Either party may terminate the distributorship agreement with prior written notice.
- Intellectual property rights : All intellectual property rights in relation to the products are owned and retained by the relevant vendors.

In case our vendor breach any of the terms of the master agreement (including but not limited to the warranty provision), our Group may claim and/or initiate legal action against the vendor.

INVENTORY MANAGEMENT

We generally place orders with our vendors only upon receiving confirmation of orders from our resellers or end-users, as the case may be, to reduce our risk exposure to obsolete or slow-moving stock. Depending on whether we have been engaged to provide IT Security Services, we normally deliver the hardware components of IT Security Products to our resellers or end-users within a short period of time after checking the content of the delivery. In addition, we keep a certain level of inventories which are used for our pitching activities to provide demonstrations to our customers so that they could have a trial of the effectiveness and efficiency of our IT Security Products under their existing IT infrastructure before placing orders to our Group and spare units for prompt replacement of various models of our IT Security Products for our maintenance and support services purposes as we are required to, subject to the scope of services, replace and arrange spare units for our customers during the relevant maintenance period, with approximately HK\$3.0 million, HK\$4.7 million and HK\$4.8 million, accounting for approximately 57.0%, 42.8% and 82.6% of our total inventories was held for these purposes as at 31 March 2015, 31 March 2016 and 30 September 2016. Our Group generally keeps a similar level of inventories as demonstration equipment and spare units regardless of our Group's sales level, unless our vendors introduced new product models and/or we secure new vendors for introduction of new IT Security Products in the market. Generally, the demonstration equipment are purchased at a lower price than those we purchase for immediate sale purposes. Such equipment will be (i) sold to our customers when the vendors introduced new product models to replace its existing demonstration equipment; and/or (ii) consumed for immediate replacement for our maintenance and support services.

BUSINESS

In order to accommodate end-users' demand promptly and to minimise the risk of obsolete or slow-moving stock, we adopt the following inventory control measures:

- keep updates on IT technology change, our vendors' technologies and customers' preference through frequent communication with our resellers, end-users and vendors;
- periodically review the inventory records; and
- closely monitor the movement of inventory through our IT management system.

QUALITY CONTROL

We procure IT Security Products from our vendors which have been selected based on a set of criteria, as set out in the paragraph headed "Suppliers" in this prospectus. Before our resellers or end-users, as the case may be, confirm their orders with us, we may assist our resellers or end-users, as the case may be, to perform product evaluation so that they can understand how the IT Security Products fulfill their requirements in the end-users' particular IT environment. Our staff will further check the hardware with reference to our internal guidelines before they are delivered to our resellers or end-users, as the case may be.

For our IT Security Services, once a project has been commenced, we will closely monitor the progress of the project based on the agreed scope of work and number of days required for each task as set out in the purchase orders or contracts from our resellers or end-users, as the case may be, and to ensure that the project is completed within the time scheduled. We regularly communicate with our resellers or end-users, as the case may be, to identify and resolve any problems or issues which may arise during the course of carrying out our work, and to ensure that each project is completed to the satisfaction of the end-users by having the end-users sign off the user acceptance.

MAJOR QUALIFICATIONS AND LICENCES

Hong Kong

Save for making the relevant license applications during the import of certain IT Security Products which are classified as strategic commodities in accordance with the Strategic Trade Controls Branch of the Trade and Industry Department and obtain the approvals from the Director-General of Trade and Industry for the re-export, resale, transfer, or disposal of such products where the circumstances require, our Directors confirmed that our Hong Kong subsidiaries are not required to obtain any industry-specific qualification, licence or permit for the provision of our IT Security Solutions in Hong Kong.

BUSINESS

The PRC

The following table sets out the details of major licences obtained by us relating to the provision of certain IT Security Solutions in the PRC as at the Latest Practicable Date:

Licences/Permits	Issuing authorities	Issue date	Date of expiry
IT產品信息安全認證證書 (IT Product Security Certificate*)	中國信息安全認證中心 (China Information Security Certification Center)	11 July 2016	10 July 2019
計算機信息系統安全專用產品銷售 許可證 (Computer Information System Security Product Sales License*)	公安部網絡安全保衛局 (Ministry of Public Security Network Security Protection Agency*)	27 November 2015	27 November 2017

Singapore

Our Directors confirmed that our Singapore subsidiary is not required to obtain any industry-specific qualification, licence or permit for the provision of our IT Security Solutions in Singapore.

Macau

Our Directors confirmed that our Macau subsidiary is not required to obtain any industry-specific qualification, licence or permit for the provision of our IT Security Solutions in Macau.

For further details, please refer to the section headed “Regulatory Overview” of this prospectus.

ENVIRONMENTAL, HEALTH AND WORK SAFETY MATTERS

Our Directors believe that there is no major source of environmental pollution nor involve substantial risks relating to health and work safety matters in the course of carrying out our IT Security Solutions. Nonetheless, we have provide our employees with guidance from time to time on work safety laws to ensure that our employees are kept abreast of our safety procedures and policies.

Our Directors confirm that during the Track Record Period, we did not have any work injury incidents. As at the Latest Practicable Date, there was no outstanding or pending claim of work injury from our employees.

BUSINESS

Our Directors also believe that the impact of our operations on the environment is minimal. During the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

AWARDS

The following table sets forth the awards and recognition we received from certain of our top five vendors during the Track Record Period:

Name of Vendors	Name of Awards	Year of Awards
Vendor D	Distributor of the Year (Asia Pacific and Japan)	2015
	Partner of the Year (APAC)	2008
	Best Performance Partner	2007
Vendor E	Best Partner	2011
	Best Performance Partner	2010
	Partner of the Year	2008
	Technical Partner of the Year	2007
	Best Partner	2006
Vendor C	Best Performing Distributor	2014
	Partner Excellence	2014
	Distributor of the Year (HK)	2014
	Fastest Growing Partner of the Year (Greater China)	2014
	Best Performing Distributor	2013
	Best Performance ESP Reseller	2012
Vendor B	Excellence Award	2013
	Sales Excellence	2012
	Rookie Partner of the Year	2010

BUSINESS

INTELLECTUAL PROPERTY RIGHTS

Currently, we conduct our business primarily using trademark of “edvance”.

As at the Latest Practicable Date, our Group has registered one trademark in Hong Kong, and has registered one domain name in Hong Kong and one domain name in the United States. Information relating to the intellectual property rights of our Company is set out in the section headed “Statutory and General Information – 2. Summary of Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

During the Track Record Period, there had not been any pending or threatened claims against our Group, nor has any claim been made by our Group against third parties, with respect to the infringement of intellectual property rights owned by our Group or third parties. As at the Latest Practicable Date, our Group was not aware of any infringement (i) by our Group of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by our Group.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we have 76 full-time employees. A breakdown of our employees by function and geographical locations as at 31 March 2015, 31 March 2016, 30 September 2016 and the Latest Practicable Date is set forth below:

	As at 31 March 2015	As at 31 March 2016	As at 30 September 2016	As at the Latest Practicable Date
Hong Kong				
Business operations	7	8	9	12
Executive directors	4	4	5	5
Sales	15	15	17	18
Technical implementation services	12	13	15	15
Support services	4	6	7	8
Consulting services	1	2	2	2
PRC				
Sales	4	2	2	2
Technical implementation services	4	4	4	4
Support services	1	2	2	2
Singapore				
Sales	1	2	3	3
Technical implementation services	1	2	2	2
Support services	1	1	2	2
Macau				
Technical implementation services	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total	<u><u>55</u></u>	<u><u>62</u></u>	<u><u>70</u></u>	<u><u>76</u></u>

Through the provision of external training by our vendors, in-house workshops and on-the-job coaching, we believe that our employees are able to get better understanding on the features and technical knowhow of the products we distributed and adapting to the latest customers' demand, while equipping them with the necessary job-specific skills so as to enhance their overall efficiency and team cohesiveness. We have also adopted internal policies which set out various guidelines, instructions and operational rules regarding our business to guide our employees and to ensure the quality of our services.

BUSINESS

We generally recruit our employees from the open market as well as participating in recruitment event of local universities and enter into employment contracts with our employees.

We incurred staff costs inclusive of performance related bonus, bonus and directors' emoluments in the aggregate of approximately HK\$28.1 million, HK\$32.5 million and HK\$17.0 million for FY2015, FY2016 and 1H2017, 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.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group has not experienced any significant problems with our staff or disruption to our operations due to labour disputes nor has our Group experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that our Group has a good working relationship with our staff.

INSURANCE

We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions are paid pursuant to the PRC laws and regulations in respect of our employees in the PRC. For our employees in Macau, we have participated in and contributed in the social security fund as required under Law no. 4/2010, Social Security System. We have also maintain and pay employees' compensation insurance premium in compliance with the applicable laws in Macau for our employee in Macau. For our employees in Singapore, we participate in the mandatory provident fund in accordance with the Central Provident Fund Act, Chapter 36 of Singapore, which is applicable to all employees who are Singapore citizens and permanent residents. We maintain group hospital and surgical insurance for all employees in Singapore.

As at the Latest Practicable Date, we have also maintained a number of other insurance policies which cover, among other things, third party liability and IT-related liability insurance to cover losses which our Group is liable to pay in respect of a claim alleging an act, error or omission by us in the performance of our IT Security Services or in the provision of IT Security Products.

BUSINESS

During the Track Record Period, the expenses we incurred for our insurance (other than life insurance contracts for our Directors and senior staff, details of which is disclosed in the paragraph headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and other receivables, prepayments and deposits”) were approximately HK\$148,000, HK\$190,000 and HK\$7,000, respectively.

We believe that our insurance coverage is consistent with industry norm and regional practice and are adequate for our business operations. From time to time, we review and assess our risk and adjust our insurance coverage as appropriate.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not make any material claim in respect of the insurance taken by us.

MARKET AND COMPETITION

According to the F&S Report, the IT Security Solutions market in Hong Kong has a relatively higher market concentration when compared to the PRC, Singapore and Macau, with around 100 players competing in the Hong Kong’s IT Security Solutions market and the top five players represent approximately 30.7% share of the Hong Kong IT Security Solution market in 2015. For details, please refer to the section headed “Industry Overview” of this prospectus.

Factors which affect the competitiveness of players in the IT Security Solutions market include (i) the availability of experienced talents in the IT Security industry; (ii) the ability to maintain good business relationships with the vendors; and (iii) generally heavy administrative cost in the Hong Kong. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths.

Details of our Group’s competitive strengths are set out in the paragraph headed “Business – Competitive Strengths” in this prospectus.

PROPERTIES

Below list out the address and function of our leased properties in Hong Kong, Singapore and the PRC during the Track Record Period and up to the Latest Practicable Date:

Location	Address	Gross floor area	Monthly rental	Function	Lease period
Hong Kong	5th Floor, 9 Chong Yip Street, Kwun Tong, Kowloon (Note 1 & 2)	5,071 square feet	HK\$101,500	Headquarters	1 September 2015 – 30 April 2017
Hong Kong	Office 702, 7th Floor, 9 Chong Yip Street, Kwun Tong, Kowloon (Note 1 & 2)	1,446 square feet	HK\$29,000	Training center	26 May 2014 – 30 April 2017

BUSINESS

Location	Address	Gross floor area	Monthly rental	Function	Lease period
Hong Kong	39th Floor, Monterey Plaza, 15 Chong Yip Street, Kwun Tong, Kowloon (Note 1 & 2)	12,042 square feet	HK\$385,344	New headquarters	1 August 2016 – 31 July 2019
Shenzhen, the PRC	Room 2637, 26th Floor, Anlian Building, No. 4018 Jintian Road, Futian District, Shenzhen	215 square feet	RMB12,711	Office	1 September 2016 – 30 November 2017
Shanghai, the PRC	Room 1710, No. 425 Yishan Road, Xu Hui, Shanghai	1,548 square feet	RMB27,000	Branch office	1 April 2016 – 31 March 2018
Singapore	No. 883 North Bridge Road #11-04 Southbank Singapore 198785	1,184 square feet	S\$5,350	Service Hub	15 May 2016 – 14 May 2018

Notes:

- (1) We have relocated our headquarters to the new headquarters in January 2017.
- (2) We have relocated our training center to the new headquarters in January 2017.

During the Track Record Period, our rental expense amounted to approximately HK\$2.3 million, HK\$2.4 million and HK\$1.5 million, respectively.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies and adopted by us.

For details of the major risks identified by our management, please refer to the paragraph headed “Risk Factors – Risks relating to our Business” in this prospectus.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company;
- the appointment of Mr. John Von as our compliance officer and Ms. Wong Man Shan Joyce as our company secretary to ensure the compliance of our operation with the relevant laws and regulations. For their biographical details, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus;

BUSINESS

- the appointment of Titan Financial as our compliance adviser upon Listing to advise us on compliance with the GEM Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the GEM Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary.

LEGAL PROCEEDINGS AND COMPLIANCE

Claims settled, pending or threatened against our Group

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

Regulatory compliance

Our Directors confirm that, save and except the non-compliance incidents disclosed below, our Group has conducted our operations and carried our business in compliance with the relevant laws and regulations in Hong Kong, the PRC, Macau and Singapore during the Track Record Period and up to the Latest Practicable Date in all material respects. A description of such incidents, together with a description of the remedial actions that we have taken in respect of such incidents and the enhanced internal control measures to prevent recurrence is set out below.

Non-compliance with the laws and regulations of the PRC

(A) Failure to register a branch office as well as to register with relevant tax authorities in Shanghai

Background of non-compliance incident

During the Track Record Period, Edvance Technology (Shenzhen) rented an office premise in Shanghai to facilitate its business operation in the PRC without registering a branch office as well as conducting the registration with the relevant tax authority in Shanghai, which has breached the law relating to Measures for Investigating, Punishing and Clamping Down on Operation without licenses in the PRC. As advised by our PRC Legal Advisers, the revenue generated by the Shanghai branch office prior to its registration with relevant administrative and tax authorities, after deducting reasonable amount of cost incurred in selling the same (inclusive of relevant tax paid), shall be deemed as illegal proceeds in nature. For further details of this law, please refer to paragraph headed “Regulatory Overview – PRC Laws and Regulations – Licensing requirement for business operation” in this prospectus.

Reason for non-compliance

The reason for such non-compliance is because our Group was unfamiliar with the relevant PRC laws and regulations and thus has inadvertently failed to be aware that leasing an office premise in Shanghai with some employees residing there to facilitate our business operation in the PRC required registering a branch office as well as conducting the registration with relevant tax authorities in Shanghai despite that our Group has duly established Edvance Technology (Shenzhen) with its registered principal business as the provision of IT Security Solutions throughout the PRC without limitation on regions.

BUSINESS

Legal consequences and potential maximum penalties

As advised by our PRC Legal Advisers, the maximum penalty for the failure to register a branch office is:-

- (1) the relevant entity shall be ordered to cease the unlawful operation;
- (2) confiscating the illegal proceeds obtained from such non-compliance;
- (3) confiscating the equipment and products used in relation to the operation of such non-compliance; and
- (4) imposing a monetary fine of up to RMB500,000 against the relevant corporate entity.

If the relevant business operation is criminal in nature, criminal liabilities will incur.

As advised by our PRC Legal Advisers, the maximum penalty for failure to conduct tax registration in Shanghai while conducting business there is a fine up to RMB10,000 against the corporate entity. The illegal proceeds obtained from such non-compliance which may be confiscated by the relevant administrative authorities is up to approximately RMB1.7 million (equivalent to approximately HK\$2.0 million). However, as advised by our PRC Legal Advisers, since such non-compliance has been duly rectified by registering Shanghai Branch, the chance of being penalised by the relevant administrative authorities is remote.

Latest status and remedial actions

As at the Latest Practicable Date, no administrative action, fine or penalty had been taken or imposed by the relevant authorities with respect to Edvance Technology (Shenzhen)'s failure to register a branch in Shanghai and failure to register with the relevant tax authorities in Shanghai.

In addition, since Edvance Technology (Shenzhen) has established a branch office in Shanghai on 27 September 2016 and registered with the relevant tax authorities in Shanghai in October 2016. It has also subsequently obtained the compliance certificates issued by Market Supervision Commission of Shanghai Xuhui District* (上海市徐匯區市場監督管理局), Market and Quality Supervision Commission of Shenzhen Municipality (深圳市市場和質量監督管理委員會), State Administration of Tax for Shanghai Xuhui District (上海市徐匯區國家稅務局), Shanghai Local Taxation Bureau Xuhui District Branch (上海市地方稅務局徐匯區分局), State Administration of Tax for Shenzhen Futian District (深圳市福田區國家稅務局) and Shenzhen Local Taxation Bureau Futian District Branch (深圳市福田區地方稅務局), respectively, which are competent authorities regarding these non-compliances to issue such certificates to confirm that Edvance Technology (Shenzhen) and its Shanghai Branch have no record of violating the relevant laws, hence our PRC Legal Advisers are of the view that the possibility that the relevant government authorities will impose penalty against Edvance Technology (Shenzhen) is low, hence no provision has been made regarding these non-compliances.

BUSINESS

Considering the aforesaid remedial actions and opinion of our PRC Legal Advisers, our Directors are of the view that, these non-compliances would not have material operational and/or financial impact on the Group.

Enhanced internal control measures to prevent recurrence

The Internal Control Consultant has recommended that an administration policy to be formulated to contain detailed procedures of establishment of new branch office, registration procedure, submission of related documents for government approval and relevant documentation.

We have established the above measures as recommended by the Internal Control Consultant. We have also designated Ms. Law Wai Chi, our internal control and compliance director and one of our senior management, to monitor the implementation of the above internal control measures.

Our Directors are of the view that Ms. Law Wai Chi is a suitable candidate for such position given she has worked for our Group for over 13 years and is very familiar with our Group's operation and administrative matters. In addition, we will also engage a PRC legal adviser and shall seek advice from him for all future PRC-related legal compliance matters. Taking into account the aforesaid internal control measures as recommended by the Internal Control Consultant, and the Internal Control Consultant has confirmed that the aforesaid internal control measures have been established in October 2016, our Directors are of the view that the enhanced internal control measures are adequate and effective and the Sole Sponsor concurs with their view.

(B) Lack of Sales License for certain of the IT Security Products sold in PRC

Background of non-compliance incident

According to the relevant PRC laws, if an IT product is classified as Special Safety Products, Sales License is required for selling such product in the PRC. For further details, please refer to paragraph headed "Regulatory Overview – Computer Information System Safety Protection" in this prospectus.

During the Track Record Period, vendors of certain of the IT Security Products sold by our Group in the PRC (the "**Relevant Products**") had not obtained Sales License in respect of such Relevant Products. The revenue and gross profit derived from the sales of the Relevant Products, being nil, approximately HK\$0.7 million and nil, and nil, approximately HK\$0.5 million and nil for FY2015, FY2016 and 1H2017, respectively. Business dealings between the relevant vendors and our Group in relation to the Relevant Products have been terminated by October 2016.

BUSINESS

Reasons for non-compliance

The reasons for such non-compliance is because according to the relevant laws (i) only the vendor(s) and/or its authorised legal entity(ies) in the PRC can obtain the Sales License and our Group has not been authorised by the relevant vendor to obtain the Sales License; (ii) the master agreement for the Relevant Products are entered into by Edvance Technology (HK) rather than Edvance Technology (Shenzhen) for the sale of the Relevant Products in, among other place, the PRC; and (iii) our Group has inadvertently failed to check with the relevant vendors whether they have obtained all necessary licenses in the PRC.

Legal consequence and potential maximum penalties

As advised by our PRC Legal Advisers, the maximum penalty for selling Special Safety Products without Sales License is:-

- (1) a monetary fine of up to RMB15,000 against the relevant PRC legal entity; and
- (2) confiscation of illegal proceeds from the sales of these Special Safety Products which is normally calculated as the total revenue derived from the sales of such products minus the reasonable amount of cost incurred in the selling of the same (inclusive of relevant tax paid); and/or
- (3) a monetary fine of up to 3 times of item (2) above.

As advised by our PRC Legal Advisers, providing upgrade services for the Special Safety Products can be considered as sales of the Special Safety Products hence breaching the relevant PRC laws. Nevertheless, providing maintenance and support services to the Relevant Products shall not be considered as a sales of the Relevant Products and possibility that our Group being penalised by the relevant government authorities for the provision of maintenance and support service to the Special Safety Products is low.

Latest status and remedial actions

As at the Latest Practicable Date, no administrative sanctions, fine or penalty had been taken or imposed by the relevant authorities with respect to the sales of the Relevant Products.

Our Directors confirm that sales of the Relevant Products occurred in FY2016. Subsequently only maintenance and support services are provided but not upgrade services. As at the Latest Practicable Date, for all the IT Security Products currently being sold by the Group in PRC, their respective vendors (or their respective authorised legal entity(ies) in the PRC) have obtained the relevant Sales License.

BUSINESS

Since our Group has terminated our business relationship with the vendors of the Relevant Products by October 2016 and according to the relevant PRC laws, only the vendor or its authorised PRC legal entity can apply for the Sales License, our Group is not in the position to retrospectively apply for the Sales License for the Relevant Products to rectify this non-compliance. In relation to the lack of Sales License for the Relevant Products, our PRC Legal Advisers are of the view that it is likely that Edvance Technology (Shenzhen) could be penalised by the relevant government authorities. Hence our Group has made the relevant provision in the sum of approximately HK\$1.8 million, being the aggregate gross proceeds derived from the sales of the Relevant Products together with a monetary fine of 3 times of the gross proceeds. For further details, please refer to note 26 of the Accountants' Report in Appendix I to this prospectus.

According to the relevant PRC laws, where the sales of the Relevant Products has not been discovered within two years after the cessation of the sales of the Relevant Products, then no administrative penalty shall be imposed by the relevant authorities for the sales of the Relevant Products. For further details, please refer to the paragraph headed "Regulatory Overview – PRC Laws and Regulations – Administration of Commercial Encryption" in this prospectus.

Enhanced internal control measures to prevent recurrence

The Internal Control Consultant has recommended that before engaging a new vendor, Edvance Technology (Shenzhen) should perform background checking of the new vendor and sample testing on new IT Security Products carried by the new vendor. Sales director of Edvance Technology (Shenzhen) should then check if the necessary license in respect of the sale of the IT Security Products has been obtained and shall keep a copy of the same. The management of the Company shall also conduct regular review on vendor's product license validity and the result should be documented and approved by the management. Such procedures shall be established in the relevant policies and procedures and shall be approved and signed by our Directors.

We have established the above measures as recommended by the Internal Control Consultant in October 2016. We have also designated the sales director of Edvance Technology (Shenzhen) to implement the above and our Director, Mr. Raymond Liu, shall monitor the implementation of the above measures.

BUSINESS

Our Directors are of the view that the sales director of Edvance Technology (Shenzhen) and Mr. Raymond Liu are suitable candidates for such position since they have joined our Group for over 6 years and 14 years respectively and are experienced in relation to the sales of IT Security Products. In addition, we will also engage a PRC legal adviser and shall seek advice from him for all future PRC-related legal compliance matters. Taking into account the internal control measures as recommended by the Internal Control Consultant, and the Internal Control Consultant has confirmed that the aforesaid internal control measures have been established in October 2016, our Directors are of the view that the enhanced internal control measures are adequate and effective and the Sole Sponsor concurs with their view.

(C) Certain of the IT Security Products sold in the PRC contain commercial encryption features which are prohibited to be sold in the PRC

Background of non-compliance incident

According to the relevant PRC laws, no person or corporate entity is allowed to sell any commercial encryption products manufactured in foreign countries. For further details, please refer to the paragraph headed “Regulatory Overview – PRC Laws and Regulations – Administration of Commercial Encryption” in this prospectus.

During the Track Record Period, certain of the IT Security Products sold in the PRC contain commercial encryption features which are prohibited to be sold in the PRC. The revenue and gross profit derived from the sales of the Relevant Products, being nil, approximately HK\$0.7 million and nil and nil, approximately HK\$0.5 million and nil for FY2015, FY2016 and 1H2017, respectively.

Reasons for non-compliance

The reasons of such non-compliance is because (i) the master agreement for the Relevant Products are entered into by Edvance Technology (HK) for the sale of the Relevant Products in the PRC (including Hong Kong and Macau); and (ii) our Group was unfamiliar with the relevant PRC laws and regulations, thus our Group has inadvertently failed to check with the relevant testing authority in the PRC whether the Relevant Products are commercial encryption products developed in foreign countries.

BUSINESS

Legal consequences and potential maximum penalties

As advised by our PRC Legal Advisers, the maximum penalty for selling commercial encryption products manufactured in foreign countries in the PRC is:-

- (1) confiscation of such encryption products manufactured in foreign countries; and
- (2) confiscation of illegal proceeds from the sales of such encryption products manufactured in foreign countries which is normally calculated as the total revenue derived from the sales of such products minus the reasonable amount of cost incurred in the selling of the same (inclusive of relevant tax paid); and/or
- (3) a monetary fine of up to 3 times of item (2) above.

Based on the relevant PRC laws and according to our PRC Legal Advisers, notwithstanding that the Relevant Products has failed to obtain Sales License and categorised as encryption products manufactured in foreign countries, since both arise from the same act of the Company, i.e. sale of the Relevant Products, the Company shall only be fined once and subject to a maximum penalty of (1) a monetary fine of RMB15,000 against Edvance Technology (Shenzhen), (2) confiscation of illegal proceeds obtained from the sales of these Relevant Products; (3) a monetary fine of 3 times of item (2) above; and (4) confiscation of Relevant Products. For further details of the relevant laws, please refer to the paragraph headed “Regulatory Overview – PRC Laws and Regulations – Administration of Commercial Encryption” in this prospectus.

Latest status

As at the Latest Practicable Date, no administrative sanctions, fine or penalty had been taken or imposed by the relevant authorities with respect to the sales of the Relevant Products.

As at the Latest Practicable Date, our Group has (i) ceased our business relationship with the relevant vendors of the aforesaid products due to commercial decision since October 2016 and currently no longer sell any of the products in the PRC; and (ii) our Group no longer kept any inventories of the Relevant Products since our cessation of the business relationship with these vendors. As explained in the above, notwithstanding that the Relevant Products has failed to obtain Sales License and categorised as encryption products manufactured in foreign countries, since both arise from the same act of the Company, i.e. sale of the Relevant Products, our Group shall only be fined once. Hence our Group has duly made provision for the penalty charges arising from such act.

BUSINESS

Based on the inspection reports issued by the testing centre designated by the Ministry of Public Security (公安部信息安全產品檢測中心), our Directors are of the view and our PRC Legal Advisers concur that the IT Security Products currently being sold in the PRC by our Group are not commercial encryption products and are not prohibited to be sold in the PRC.

Enhanced internal control measures to prevent recurrence

The Internal Control Consultant has recommended that before engaging a new vendor, Edvance Technology (Shenzhen) should perform background checking of the new vendor and sample testing on new IT Security Products carried by the new vendor. Sales director of Edvance Technology (Shenzhen) should then check if the necessary license in respect of the sale of the IT Security Products has been obtained and shall keep a copy of the same or whether they are prohibited to sale in PRC due to their nature. The management of the Company shall also conduct regular review on vendor's product license validity and the result should be documented and approved by the management. Such procedures shall be established in the relevant policies and procedures and shall be approved and signed by our Directors.

We have established the above measures as recommended by the Internal Control Consultant. We have also designated the sales director of Edvance Technology (Shenzhen) to implement the above and, our Director, Mr. Raymond Liu, shall monitor the implementation of the above measures.

Our Directors are of the view that the sales director of Edvance Technology (Shenzhen) and Mr. Raymond Liu are suitable candidates for such position since they have joined our Group for over 6 years and 14 years respectively and are experienced in relation to the sales of IT Security Products. In addition, we will also engage a PRC legal adviser and shall seek advice from him for all future PRC-related legal compliance matters. Taking into account the internal control measures as recommended by the Internal Control Consultant, and the Internal Control Consultant has confirmed that the aforesaid internal control measures have been established in October 2016, our Directors are of the view that the enhanced internal control measures are adequate and effective and the Sole Sponsor concurs with their view.

In order to continuously improve our corporate governance and internal control and to prevent recurrence of non-compliances in the future, we have adopted the following additional measures:

- (i) we have provided and plan to continue to provide senior management with training regarding the legal and regulatory requirements in relation to our Group from time to time;
- (ii) we will engage a PRC legal adviser to provide legal advice on compliance with PRC laws and regulations and provide trainings to our senior management;

BUSINESS

- (iii) we have engaged Titan Financial as our compliance adviser to advise our Directors and management on matters relating to the GEM Listing Rules upon Listing; and
- (iv) our Board has established an audit committee to oversee our internal control, including, among others, reviewing and making recommendation to our Board in respect of our Group's policies and practices on compliance with any requirement, direction and regulation that may be prescribed by the Board, contained in any constitutional documents of our Group, or imposed by the GEM Listing Rules and other applicable laws and regulations, rules and codes, and ensuring that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and monitoring the implementation of our Group's plan to maintain compliance with own risk management standards.

Deed of Indemnity

The Controlling Shareholders have entered into the Deed of Indemnity in favour of the Group to provide indemnities against any claims, actions, losses, liabilities, costs incurred by our Group as a result of any of the non-compliance in the paragraph headed "Business – Regulatory Compliance" in this prospectus with the applicable laws, rules and regulations by our Group on or before the Listing Date. For further details, please refer to the paragraph headed "Statutory and General Information – E. Other Information – 2. Deed of Indemnity" of this prospectus.

Views of our Directors and the Sole Sponsor

As at the Latest Practicable Date, we have implemented the remedial measures according to the recommendations of the Internal Control Consultant. These remedial measures are formulated after careful investigations based on the factual findings, our Directors are of the view that we have adequate and effective internal control procedures in place to prevent recurrence of non-compliance incidents and to ensure compliance with the applicable legal and regulatory requirements.

Considering (i) the facts and circumstances surrounding the non-compliances incidents; (ii) we have not been subject to any fines or penalties for the non-compliances during the Track Record Period and up to the Latest Practicable Date; (iii) the rectification measures we took; (iv) the confirmations from the competent government authorities we have obtained; (v) the enhanced internal control measures we have implemented, our Directors are of the view, and the Sole Sponsor concurs that, the past non-compliance incidents (i) do not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence; and (ii) do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules, or our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION

The following transaction, which will continue after Listing, will constitute continuing connected transaction and will be fully exempt from all report, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Connected Persons

CAL is a company incorporated on 16 October 2015 in Hong Kong which principally engages in the provision of IT services (excluding the IT Security-related business). CAL is owned as to 98% by Mr. Raymond Liu, our Director and one of our Controlling Shareholders. Mr. Raymond Liu is also one of two directors of CAL. Accordingly, CAL is a connected person of our Company under the GEM Listing Rules. The transaction contemplated under the Master Service Agreement (as defined hereunder) will constitute continuing connected transaction of our Company under Chapter 20 of the GEM Listing Rules.

Master Service Agreement entered with CAL

During the Track Record Period, we engaged CAL for (i) the provision of a cloud-based training platform to host our training materials for the IT Security Products to our customers, or where applicable, the setting up of a domain for our individual customers; and (ii) the customisation and conversion of our training materials into different formats as per our requests (collectively, the "**Services**").

On 23 March 2017, our Company entered into a master service agreement with CAL (the "**Master Service Agreement**"), pursuant to which CAL will provide and our Company will use, from time to time, the Services, for a period commencing from the Listing Date and expiring on 31 March 2019 and subject to the terms and conditions of the Master Service Agreement.

Reasons for the entering into the Master Service Agreement

Having considered that (i) CAL has been providing the Services to our Group since May 2016 and our Directors consider that the services provided by CAL were so far satisfactory and is able to meet our requirements; (ii) the principal terms (including prices and payment terms) offered by CAL has been and will be no less favourable than those offered by Independent Third Parties; and (iii) our Group is able to save time and efforts in sourcing alternative independent service provider to provide the Services, our Directors believe that it is beneficial for our Group and our Shareholders as a whole to continue the existing practice instead of engaging alternative independent service provider or employing our own staff to provide such Services.

CONTINUING CONNECTED TRANSACTION

Historical transaction amounts

The service fees paid to CAL by our Group for FY2015, FY2016 and 1H2017 amounted to nil, nil and approximately HK\$156,000, respectively.

Proposed annual caps and basis

Our Directors estimate that the maximum aggregate transaction amount under the Master Service Agreement will not exceed HK\$410,000, HK\$492,000 and HK\$590,400 for the three years ending 31 March 2019, respectively. The proposed annual caps for the transactions contemplated under the Master Service Agreement are determined after taking into account, among others, (i) the historical amount of service fees paid by our Group to CAL; (ii) the anticipated rise in the future demand for the services of CAL with reference to the anticipated expansion of our Group's business in the near future; and (iii) the then prevailing market prices of the Services provided by CAL to our Group.

Implications under the GEM Listing Rules

As explained in the paragraph headed "Connected Persons" above in this section, CAL is a connected person of our Company. Accordingly, the transactions contemplated under the Master Service Agreement will constitute continuing connected transaction upon Listing.

Our Directors (including our independent non-executive Directors) are of the view and the Sole Sponsor concurs with the view that the Master Service Agreement has been entered into on arms' length basis and on normal commercial terms and in the ordinary and usual course of business, and that the transactions contemplated under the Master Service Agreement and the proposed annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole since the overall terms for the provision of the Services (including pricing and payment terms) are comparable to those offered by the Independent Third Parties.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of the Group's business. The following table sets forth certain information concerning our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. Liu Yui Ting Raymond (廖銳霆)	48	Chairman, Executive Director	Overseeing the overall business development, strategic planning and major decision-making	26 August 2002	7 July 2016	Nil
Mr. Lee Francis Sung Kei (李崇基)	39	Chief Executive Officer, Executive Director	Overseeing the overall business development, strategic planning and major decision-making	17 May 2004	21 November 2016	Nil
Mr. Lo Wai Ho Ashley (羅偉浩)	51	Executive Director	Provides technological strategic advice to our Group	26 August 2002	7 July 2016	Nil
Mr. Von John (黃繼明)	52	Executive Director	Overseeing the overall business operations	17 August 2015	21 November 2016	Nil
Mr. Lam Tak Ling (林德齡)	46	Executive Director	Managing the sales team of the Group	17 January 2011	21 November 2016	Nil
Dr. Tang Sing Hing Kenny (鄧聲興)	48	Non-executive Director	Advising on business development of our Group	21 November 2016	21 November 2016	Nil
Mr. Yu Kwok Chun Raymond (余國俊)	61	Independent non-executive Director	Providing independent advice to the Board	23 March 2017	23 March 2017	Nil
Mr. Ng Tsz Fung Jimmy (吳子豐)	54	Independent non-executive Director	Providing independent advice to the Board	23 March 2017	23 March 2017	Nil
Mr. Chan Siu Ming Simon (陳兆銘)	48	Independent non-executive Director	Providing independent advice to the Board	23 March 2017	23 March 2017	Nil

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth certain information concerning our other senior management members:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment for current position	Relationship with other Directors and senior management
Mr. Chan Hoi Chu (陳海曙)	46	Consulting services director	Overseeing the consulting services of our Group	1 April 2012	April 2012	Nil
Mr. Tang Sui Cheong (鄧瑞昌)	48	Technical services director	Overseeing the overall technical services of our Group	19 January 2015	February 2016	Nil
Mr. Chow Yuen Wai (鄒遠威)	37	Channel business director	Overseeing the overall channel business	6 April 2009	April 2014	Nil
Ms. Law Wai Chi (羅偉慈)	36	Internal control and compliance director	Managing internal compliance matters of our Group	1 December 2003	March 2017	Nil

Directors

Executive Directors

Mr. Liu Yui Ting Raymond (廖銳霆) aged 48, was appointed as the chairman and re-designated as an executive Director on 21 November 2016. He is one of the founders of our Group and has been a director of Edvance Technology (HK), Edvance Consulting (HK), Edvance Holdings, Edvance Technology (Shenzhen), Edvance Technology (Macau) and Edvance Technology (SG) since their respective inception. Mr. Liu is responsible for the overall business development, strategic planning and major decision-making of our Group.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

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

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

Mr. Lo Wai Ho Ashley (羅偉浩), aged 51, was re-designated as an executive Director on 21 November 2016. He is one of the founder of our Group and has been a technology director since August 2002. He is responsible for providing technological strategic advice to our Group.

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Von John (黃繼明), aged 52, was appointed as an executive Director on 21 November 2016. He joined our Group in August 2015 initially as a support business director and was promoted as a business operations director in June 2016. He is responsible for the overall business operation of our Group.

Mr. Von 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 46, was appointed as an executive Director on 21 November 2016. He joined our Group in January 2011 and he is responsible for managing the overall development of enterprise solutions.

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

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

Non-executive Director

Dr. Tang Sing Hing Kenny (鄧聲興), aged 48, was appointed as a non-executive Director on 21 November 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Dr. Tang has been an independent non-executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893), a company listed on the Main Board and principally engaged in sale and development of personal care products, since September 2014 and an executive director of Jun Yang Financial Holdings Limited (stock code: 397), a company listed on the Main Board and principally engaged in financial services and solar energy business, since June 2015.

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.

Independent non-executive Directors

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan Siu Ming Simon (陳兆銘), aged 48, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our remuneration committee and audit committee, and is the chairman of our nomination committee.

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

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

Save as disclosed in this prospectus, as at the Latest Practicable Date, each of our Directors confirms that he/she (i) did not hold any other directorships in the last three years prior to the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or other members of our Group; (iii) does not have any other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company nor any interests in the Shares with the meaning of Part XV of the SFO.

Save as the disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

Senior Management

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

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

Ms. Law Wai Chi (羅偉慈), aged 36, joined our Group in December 2003. She is an internal control and compliance director and she is responsible for managing internal compliance matters of our Group.

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

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

COMPANY SECRETARY

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE OFFICER

Mr. John Von is the compliance officer of our Company. For details of his biography, please refer to the paragraph headed “Executive Directors” above in this section.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 23 March 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our audit committee are mainly to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. Our audit committee consists of three, namely Mr. Raymond Yu, Mr. Jimmy Ng and Mr. Simon Chan. Mr. Jimmy Ng is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 23 March 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. Our remuneration committee consists of four, namely Mr. Raymond Liu, Mr. Raymond Yu, Mr. Jimmy Ng and Mr. Simon Chan. Mr. Raymond Yu is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 23 March 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. Our nomination committee consists of four, namely Mr. Raymond Liu, Mr. Raymond Yu, Mr. Jimmy Ng and Mr. Simon Chan. Mr. Simon Chan is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPENSATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, bonuses and other allowances and benefits-in-kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration (including salaries, discretionary bonuses, other benefits and contributions to pension schemes) which were paid to our Directors and chief executive for FY2015, FY2016 and 1H2017 were approximately HK\$3.9 million, HK\$5.2 million and HK\$2.6 million, respectively.

The aggregate amount of remuneration (including salaries, discretionary bonuses, other benefits and contributions to pension schemes) which were paid by our Group to the five highest paid individuals for FY2015 and FY2016 and 1H2017 were approximately HK\$5.4 million, HK\$5.7 million and HK\$2.8 million, respectively.

It is estimated that remuneration (excluding any discretionary bonuses) equivalent to approximately HK\$6.9 million in aggregate will be paid or payable to our Directors by us in respect of the financial year ending 31 March 2017 under arrangements in force at the date of this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and intends to grant options to our Directors, senior management of our Group and other selected participants after Listing. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our Directors and other selected participants for their contributions to us.

The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date.

Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

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

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

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company place high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. We will comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules after the Listing.

Employees

Please refer to the paragraph headed “Business – Employees” in this prospectus for further details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares to be issued upon the exercise of share options to be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares ⁽¹⁾	Immediately upon the completion of the Capitalisation Issue and the Share Offer Approximate percentage of shareholding ⁽²⁾
Success Vision	Beneficial owner	570,000,000 (L)	57%
Mr. Raymond Liu	Interest of a controlled corporation ⁽³⁾	570,000,000 (L)	57%
Ms. Cheng Chui Ying	Interest of spouse ⁽⁴⁾	570,000,000 (L)	57%
Mr. Ashley Lo	Interest of a controlled corporation ⁽³⁾	570,000,000 (L)	57%
Ms. Lin Fai	Interest of spouse ⁽⁵⁾	570,000,000 (L)	57%
Earning Gear	Beneficial owner	75,000,000 (L)	7.5%
Dr. Kenny Tang	Interest of a controlled corporation ⁽⁶⁾	75,000,000 (L)	7.5%
Ms. Yip Lai Ching	Interest of spouse ⁽⁷⁾	75,000,000 (L)	7.5%
Mind Bright	Beneficial owner	60,000,000 (L)	6%
Mr. John Von	Interest of a controlled corporation ⁽⁸⁾	60,000,000 (L)	6%
Ms. Cheung Mo Chi	Interest of spouse ⁽⁹⁾	60,000,000 (L)	6%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme).
- (3) As at the Latest Practicable Date, Success Vision is beneficially owned as to 59.21% by Mr. Raymond Liu and 40.79% by Mr. Ashley Lo, respectively. Each of Mr. Raymond Liu and Mr. Ashley Lo is deemed to be interested in the 570,000,000 Shares that held by Success Vision under the SFO.
- (4) Ms. Cheng Chui Ying is the spouse of Mr. Raymond Liu and is therefore deemed to be interested in the Shares in which Mr. Raymond Liu is interested in under the SFO.
- (5) Ms. Lin Fai is the spouse of Mr. Ashley Lo and is therefore deemed to be interested in the Shares in which Mr. Ashley Lo is interested in under the SFO.
- (6) As at the Latest Practicable Date, Earning Gear is wholly-owned by Dr. Kenny Tang and is therefore deemed to be interested in the 75,000,000 Shares that held by Earning Gear under the SFO.
- (7) Ms. Yip Lai Ching is the spouse of Dr. Kenny Tang and is therefore deemed to be interested in the Shares in which Dr. Kenny Tang is interested in under the SFO.
- (8) As at the Latest Practicable Date, Mind Bright is wholly owned by Mr. John Von and is therefore deemed to be interested in the 60,000,000 Shares that held by Mind Bright under the SFO.
- (9) Ms. Cheung Mo Chi is the spouse of Mr. John Von and is therefore deemed to be interested in the Shares in which Mr. John Von is interested in under the SFO.

Except as disclosed above and in the paragraph headed “History, Reorganisation and Corporate Structure – Corporate Development and Reorganisation” in this prospectus, we are not aware of any person who will, immediately following the Share Offer, have an interest or short position in Shares or underlying shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

UNDERTAKINGS

Each of our Controlling Shareholders has jointly and severally given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, and the Underwriters, details of which are set out in the paragraph headed “Underwriting – Underwriting arrangement and expenses – Undertakings” in this prospectus. Our Controlling Shareholders have also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On 12 December 2016, Mr. Raymond Liu and Mr. Ashley Lo entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group since the incorporation of Edvance Technology (HK) on 26 August 2002 and will continue so as of and after the date of the Concert Parties Confirmatory Deed, until termination in writing by both parties. For details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Parties Acting in Concert” in this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option and any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Success Vision (held by Mr. Raymond Liu as to 59.21% and Mr. Ashley Lo as to 40.79%), will own 57% interest of the enlarged issued share capital of our Company. Although Mr. Ashley Lo does not hold more than 50% of the voting interest in Success Vision and thus not in a position to control Success Vision’s voting interest in our Company immediately following the Listing, on the basis that (i) Mr. Raymond Liu and Mr. Ashley Lo have entered into Concert Parties Confirmatory Deed; and (ii) Mr. Ashley Lo, together with Mr. Raymond Liu, have decided to restrict their ability to exercise direct control over our Company immediately following the Listing by holding their interests through Success Vision, Mr. Raymond Liu, Mr. Ashley Lo and Success Vision will be regarded as a group of Controlling Shareholders.

COMPANIES CONTROLLED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

CAL is a company incorporated on 16 October 2015 in Hong Kong with limited liability and is principally engaged in the IT business. Since its inception and up to the Latest Practicable Date, CAL was owned as to 98% and 2% by Mr. Raymond Liu, one of our Controlling Shareholders and an individual who is an Independent Third Party.

During the Track Record Period, CAL has been engaging in (i) the provision of cloud-based training platform to host training materials for the IT Security Products of our Group to our customers (or where applicable, to set up separate domain for individual customers); and (ii) the customisation and conversion of our training materials into different formats as per our request. Please refer to the section headed “Continuing Connected Transactions” for further details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Since the principal business of CAL does not involve any distribution of IT Security Products or provision of IT Security Services, CAL has not been included in our Group for Listing. Our Directors are of the view that the business of CAL does not compete, directly or indirectly, with our Group's business. In addition, in order to avoid any potential competition between CAL and our Group in the future, our Controlling Shareholders have also executed the Deed of Non-Competition in favour of our Company. Please refer to the paragraph headed "Deed of Non-Competition" below for further details.

Mr. Raymond Liu confirmed that, to the best of his knowledge and belief and after making all necessary enquiries and in his capacity as a director and controlling shareholder of CAL, there were no material non-compliance incidents involving CAL during the Track Record Period.

In addition, Xceed Consulting Limited ("Xceed"), a sole proprietor business operated by the spouse of Mr. Raymond Liu, which was principally engaged in the provision of IT consulting services, ceased its business in November 2016. Mr. Raymond Liu confirmed that, to the best of his knowledge and belief and after making all necessary enquiries, there were no material non-compliance incidents involving Xceed during the Track Record Period.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-Competition with and in favour of our Company (for itself and as trustee for its subsidiaries).

Pursuant to the Deed of Non-Competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with the business of our Group. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for itself and for the benefits of its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to (i) distribution of IT Security Products; and (ii) the provision of IT Security Services in Hong Kong and any other country or jurisdiction to which our Group provides such products and/or services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the “**Restricted Activity**”);

- (b) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his close associates (excluding our Group);
- (c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as a Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;
- (d) to, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any Restricted Activity;
- (e) to, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, solicit or endeavour to entice away from or discourage from dealing with our Group any person who was at any time during the period of one year preceding the date of this Deed a manufacturer for or supplier or subcontractor, customer or client of our Group;
- (f) if there is any project or new business opportunity that relates to the Restricted Activity, (i) promptly refer such project or new business opportunity to our Group for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, (ii) use its/his best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his close associates; and (iii) with regard to any project or new business opportunity shall have been rejected by our Group and the principal terms of which the Controlling Shareholders and/or any of his/her/its close associates and/or entities or companies controlled by he/she/it invest or participate are no more favourable than those made available to our Company;
- (g) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (h) procure its/his close associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-Competition do not apply to:

- (a) the holding of, or interests in, the shares of any members of our Group; and
- (b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his/her close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of our Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for itself and for the benefits of its subsidiaries):

- (a) to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-Competition;
- (b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition by our Controlling Shareholders; and
- (c) to make an annual declaration as to full compliance with the terms of the Deed of Non-Competition and a consent to disclose such declaration in the annual report of our Company.

The Deed of Non-Competition will become effective upon the Share Offer becoming unconditional. The obligations of our Controlling Shareholders under the Deed of Non-Competition will remain in effect during the period (the “**Relevant Period**”) from the Listing Date until the earlier of the date on which:

- (a) our Controlling Shareholders, together with their close associates, whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company; or
- (b) the Shares cease to be listed and traded on the Stock Exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

We have adopted the following measures to avoid potential conflict of interests and safeguard the interests of the Shareholders:

- (i) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our Group's interest and in the event that the independent non-executive Directors decide that a Director should not be present at a meeting where matters and/or businesses of which such Director or his associates have a material interest are the subject of discussion, such Director would be requested to absent himself from such meeting;
- (ii) the Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (iii) the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-Competition;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (v) our Company will disclose decisions on matters reviewed by the independent non-Executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company; and
- (vi) our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-Competition in the annual report of our Company.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors believe that our Group can carry on its business independent of and without financial reliance on the Controlling Shareholders and their associates following the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our management and operational decisions are made by the Board and senior management. The Board comprises five executive Directors, one non-executive Directors and three independent non-executive Directors. Mr. Raymond Liu, one of our Controlling Shareholders, is our Chairman and executive Director, Mr. Francis Lee is our chief executive officer and executive Director, Mr. John Von, Mr. Ashley Lo, and Mr. TL Lam are our executive Directors and Dr. Kenny Tang is our non-executive Director.

The daily operational decisions of our Group are made by the executive Directors. After the completion of the Share Offer, our other executive Directors will continue to be involved in the overall corporate direction, strategic development, and major decisions in respect of our Group as well as the day-to-day operations of our Group.

We consider that the Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum;
- (c) the three independent non-executive Directors have extensive experience in different areas and will be able to bring independent judgement to the decision-making process of the Board;
- (d) connected transactions between our Group and our Controlling Shareholders and/or their respective associates are subject to the requirements under the GEM Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable); and
- (e) the senior management team of our Group are independent from our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities, and is capable of making independent decisions on business operations. Although our Controlling Shareholders retain a controlling interest in our Company upon Listing, it does not retain us from exercising full rights to carry out our own decisions on the business operations.

Save as disclosed in the section headed “Continuing Connected Transaction” and the paragraph headed “Financial Information – Related Party Transactions” in this prospectus, during the Track Record Period and up to the Latest Practicable Date, there were no other business transactions between us and any of our Controlling Shareholders and our Group has not shared our operational resources, such as vendors, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective associates.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of business operations.

Financial independence

We have independent financial and accounting systems, treasury function and independent access to third party financing. In view of our internal resources, the available banking facilities and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders.

During the Track Record Period, certain of our banking facilities were secured by personal guarantee provided by Mr. Raymond Liu and Mr. Ashley Lo. We have obtained written confirmation from the relevant financial institution confirming that these personal guarantees will be released and replaced by the corporate guarantees provided by our Company upon Listing.

In addition, during the Track Record Period, there were certain amounts due to and from our Controlling Shareholders and their respective related companies, details of which are set out in the paragraph headed “Financial Information – Indebtedness – Amounts due (from) to Directors and Related Parties” of this prospectus. All balances mentioned above will be settled before Listing.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders from a financial perspective.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The tables are prepared on the basis that the Share Offer becomes unconditional.

The tables, however take no account of (a) any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, (b) any options which may be granted under the Share Option Scheme or (c) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares as described below.

The authorised and issued share capital of our Company is as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares of par value HK\$0.01 each	<u>20,000,000</u>

Assuming the Offer Size Adjustment Option is not exercised, the issued share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Issued and to be issued, fully paid or credited as fully paid:</i>	<i>HK\$</i>
100 Shares in issue as at the date of this prospectus . . .	1
749,999,900 Shares to be issued under the Capitalisation Issue . .	7,499,999
<u>250,000,000</u> Shares to be issued under the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u> Shares in total	<u>10,000,000</u>

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Issued and to be issued, fully paid or credited as fully paid:</i>	<i>HK\$</i>
100 Shares in issue as at the date of this prospectus . . .	1
749,999,900 Shares to be issued under the Capitalisation Issue . .	7,499,999
287,500,000 Shares to be issued under the Share Offer and the	
Offer Size Adjustment Option	<u>2,875,000</u>
<u>1,037,500,000</u> Shares in total	<u>10,375,000</u>

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 23 March 2017 and subject to the conditions set out therein, our Directors were authorised to allot and issue a total of 749,999,900 Shares credited as fully paid at par to the Shareholders whose name appears on the register of members of our Company at close of business on 23 March 2017 by way of capitalisation of the sum of HK\$7,499,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued under this resolution shall rank *pari passu* in all respects with the existing issued Shares. For further details, please see the paragraph headed “A. Further Information about our Company – 3. Resolutions in writing of the Shareholders passed on 23 March 2017” in Appendix IV to this prospectus.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our Company’s issued share capital in the hands of the public (as defined in the GEM Listing Rules).

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase Shares” below.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until, whichever is the earliest:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the date by which the next annual general meeting of the Company is required to be held by the Articles of Association; or
- (c) the date on which such mandate is resolved or varied by our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "A. Further Information about our Company – 3. Resolutions in writing of the Shareholders passed on 23 March 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to conditions stated in the section headed "Structure and Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Further information about our Company – Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until, whichever is the earliest:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “A. Further Information about our Company – 3. Resolutions in writing of the Shareholders passed on 23 March 2017” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible debt securities or other convertible instruments, or similar rights convertible into Shares as at the Latest Practicable Date.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with the audited combined financial statements of our Group and the notes thereto as of and for the years ended 31 March 2015 and 2016 and six months ended 30 September 2015 and 2016, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the section headed “Risk Factors” in this prospectus.

OVERVIEW

We are a leading IT Security Solutions value-added distributor with our headquarters located in Hong Kong. We introduce IT Security Products and offer IT Security Services to safeguard end-users' IT system. According to the F&S Report, in terms of revenue generated in 2015, we ranked first amongst the IT Security Solutions distributors in Hong Kong with a market share of approximately 9.2%.

During the Track Record Period, we derive revenue from (i) the distribution of IT Security Products, which primarily consists of (a) network security products; (b) system security products; and (c) application and data security products; and (ii) the provision of IT Security Services, which primarily consists of (a) technical implementation services; (b) maintenance and support services; and (c) consulting services.

For FY2015 and FY2016, our revenue increased by approximately HK\$51.5 million, or 41.0%, from approximately HK\$125.5 million for FY2015 to approximately HK\$177.0 million for FY2016, with (i) approximately 58.6% and 60.4% generated from the IT Security Products segment, respectively; and (ii) approximately 41.4% and 39.6% generated from the IT Security Services segment, respectively, while our net profit was approximately HK\$5.1 million and HK\$14.7 million for FY2015 and FY2016, respectively, representing an increase of approximately 188.2%.

For 1H2016 and 1H2017, our revenue recorded an increase of approximately HK\$17.6 million, or 20.8%, from approximately HK\$84.5 million for 1H2016 to approximately HK\$102.1 million for 1H2017, with (i) approximately 63.0% and 55.8% were generated from the IT Security Products segment, respectively; and (ii) approximately 37.0% and 44.2% were generated from the IT Security Services segment, respectively, while our net profit was approximately HK\$6.8 million and HK\$4.8 million for 1H2016 and 1H2017, respectively, indicating a decrease of approximately 29.4%.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 July 2016. In preparation of the Listing, the Group underwent the Reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” of this prospectus. As a result of Reorganisation, our Company has become the holding company of the companies now comprising our Group on 23 March 2017.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising our Group, as if the structure of our Group upon the completion of the Reorganisation had been in existence throughout the Track Record Period, or since their respective date of incorporating where there is a shorter period. The combined statements of financial position of our Group as at 31 March 2015, 31 March 2016 and 30 September 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation where applicable. The combined financial statements, which are presented in Hong Kong dollars, have been prepared in accordance with HKFRSs.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following factors are the principal factors that have affected, and which we expect will continue to affect our businesses, financial condition, results of operations and prospects. The following should be read in conjunction with the section headed “Risk Factors” in this prospectus:

Our ability to maintain business relationships with our vendors

As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 19 international vendors. Our master agreements with our vendors typically lasts for at least one year and will be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement. There is no assurance that these vendors will not partner with other distributors, enter into exclusive agreement with another distributor, conduct acquisition or merger activities which may lead to a change of focus of the vendors’ product line or our agreements with these vendors will be terminated or not renewed, extended upon expiry or continued without interruption. If the relevant distributorships are terminated, not renewed or extended or are subsequently interrupted, and we fail to identify suitable alternative sources in time or at all, our business, results of operations and profitability may be adversely affected.

FINANCIAL INFORMATION

Fluctuation of prices of components of our cost of sales

For FY2015, FY2016 and 1H2017, cost of hardware and software components and cost of services are the major component of our costs of sales, with (i) cost of hardware and software components accounted for approximately 63.2%, 64.5% and 60.2% of our total cost of sales, respectively; and (ii) cost of services accounted for approximately 24.2%, 22.7% and 29.6% of our total cost of sales, respectively. Any fluctuations in the cost of hardware and software components and cost of services and our ability to pass these cost escalations to our customers may affect our profitability.

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in (i) the cost of hardware and software components; and (ii) the cost of services on our profit before taxation during the Track Record Period, assuming all other variables remain constant. According to the F&S Report, the IT Security hardware and software cost index remains stable for the period from 2010 to 2020 with minor fluctuations within around 5%. For prudence sake, our Group adopted a hypothetical fluctuation of 2.5% and 5% in performing the sensitivity analyses below:

<i>Hypothetical fluctuations of cost of hardware and software components</i>	<i>+/-2.5%</i>	<i>+/-5%</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/decrease in cost of hardware and software components</i>		
FY2015	+/- 1,389	+/- 2,778
FY2016	+/- 1,994	+/- 3,987
1H2017	+/- 1,128	+/- 2,255
<i>Decrease/increase in profit before taxation</i>		
FY2015	-/+ 1,389	-/+ 2,778
FY2016	-/+ 1,994	-/+ 3,987
1H2017	-/+ 1,128	-/+ 2,255
 <i>Hypothetical fluctuations of cost of services</i>		
	<i>+/-2.5%</i>	<i>+/-5%</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/decrease in cost of services</i>		
FY2015	+/- 533	+/- 1,066
FY2016	+/- 704	+/- 1,408
1H2017	+/- 556	+/- 1,111
<i>Decrease/increase in profit before taxation</i>		
FY2015	-/+ 533	-/+ 1,066
FY2016	-/+ 704	-/+ 1,408
1H2017	-/+ 556	-/+ 1,111

FINANCIAL INFORMATION

Our ability to maintain our competitiveness and keep up with the rapid changes in the technological developments in the IT Security Solutions industry

We operate in a market with competitors that provide similar products and services to us. We compete with our competitors in various aspects including price, service quality and after-sale services. The level of competition also impacts our ability to price our services at a desired level so as to achieve our targeted profitability. In addition, our future success will also depend upon our ability to introduce new IT Security Solutions that keep pace with the latest developments in the IT Security Solutions industry and the emerging and evolving industry standards, and meet the ever-changing demands of our customers. Should our Group be unable to keep up with the technological developments in the IT Security Solutions industry, our financial performance and results of operation may be adversely affected.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that may yield materially different financial results if the management were to apply different conditions and/or assumptions or make different estimates. Actual results may differ from these estimates. During the Track Record Period, our Directors confirm that there were no significant changes in the assumptions and estimates, and continuous assessment will be made to these assumptions and estimates going forward. For details of the significant accounting policies and estimates, please refer to Notes 4 and 5 of the Accountants' Report in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies and estimates applied in preparing our Group's financial information:

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 from the sale of goods is recognised when the goods are delivered and titles have passed, at which time certain conditions are satisfied.

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 from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

FINANCIAL INFORMATION

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

FINANCIAL INFORMATION

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.

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/period. Taxable profit differs from profit before taxation as reported in the combined statements 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 Financial Information 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.

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.

FINANCIAL INFORMATION

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 and the past collection history of each customer. 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.

Allowances for inventories

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items. Management of the Group estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

FINANCIAL INFORMATION

SUMMARY RESULTS OF OPERATIONS

The following table sets forth our combined statements of profit or loss and other comprehensive income for FY2015, FY2016, 1H2016 and 1H2017, as extracted from the Accountants' Report in Appendix I to this prospectus.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	FY2015	FY2016	1H2016	1H2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	125,459	176,999	84,496	102,062
Cost of sales	<u>(87,915)</u>	<u>(123,806)</u>	<u>(58,391)</u>	<u>(74,994)</u>
Gross profit	37,544	53,193	26,105	27,068
Other income	171	678	258	288
Other gains and losses, net	(284)	(881)	(299)	82
Distribution and selling expenses	(19,046)	(18,187)	(7,946)	(9,243)
Administrative expenses	(11,400)	(16,165)	(8,944)	(8,961)
Listing expenses	–	–	–	(2,500)
Finance costs	<u>(263)</u>	<u>(678)</u>	<u>(230)</u>	<u>(251)</u>
Profit before taxation	6,722	17,960	8,944	6,483
Taxation	<u>(1,644)</u>	<u>(3,268)</u>	<u>(2,167)</u>	<u>(1,674)</u>
Profit for the year/period	<u><u>5,078</u></u>	<u><u>14,692</u></u>	<u><u>6,777</u></u>	<u><u>4,809</u></u>
Profit (loss) for the year/period				
attributable to:				
– owners of the Company	5,721	11,990	5,762	3,440
– non-controlling interests	<u>(643)</u>	<u>2,702</u>	<u>1,015</u>	<u>1,369</u>
	<u><u>5,078</u></u>	<u><u>14,692</u></u>	<u><u>6,777</u></u>	<u><u>4,809</u></u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

During the Track Record Period, our revenue was derived from (i) the distribution of IT Security Products; and (ii) the provision of IT Security Services.

Revenue by business segments

The following table sets forth the breakdown of our revenue by business segments for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
IT Security Products	73,459	58.6	106,901	60.4	53,196	63.0	56,983	55.8
IT Security Services	<u>52,000</u>	<u>41.4</u>	<u>70,098</u>	<u>39.6</u>	<u>31,300</u>	<u>37.0</u>	<u>45,079</u>	<u>44.2</u>
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

Our overall revenue increased by approximately HK\$51.5 million, or 41.0%, from approximately HK\$125.5 million for FY2015 to approximately HK\$177.0 million for FY2016, with (i) approximately 58.6% and 60.4% were generated from the IT Security Products segment, respectively; and (ii) approximately 41.4% and 39.6% were generated from the IT Security Services segment, respectively. For 1H2016 and 1H2017, our overall revenue increased by approximately HK\$17.6 million, or 20.8%, from approximately HK\$84.5 million for 1H2016 to approximately HK\$102.1 million for 1H2017, with (i) approximately 63.0% and 55.8% were generated from the IT Security Products segment, respectively; and (ii) approximately 37.0% and 44.2% were generated from the IT Security Services segment, respectively.

IT Security Products

The IT Security Products that we distribute can be divided into the following categories, namely (i) network security products; (ii) system security products; and (iii) application and data security products. For further description of these categories, please refer to the paragraph headed “Business – Our Products and Services – IT Security Products” in this prospectus.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue derived from the IT Security Products segment by types of products for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Network security products	40,233	54.8	48,901	45.8	30,939	58.2	21,146	37.1
System security products	16,030	21.8	39,792	37.2	13,269	24.9	21,954	38.5
Application and data security products	17,196	23.4	18,208	17.0	8,988	16.9	13,883	24.4
Total	73,459	100.0	106,901	100.0	53,196	100.0	56,983	100.0

Our revenue generated from the IT Security Products segment increased by approximately HK\$33.4 million, or 45.4%, from approximately HK\$73.5 million for FY2015 to approximately HK\$106.9 million for FY2016. For 1H2016 and 1H2017, such segment revenue increased by approximately HK\$3.8 million, or 7.1%, from approximately HK\$53.2 million for 1H2016 to approximately HK\$57.0 million for 1H2017.

For FY2015, FY2016 and 1H2017, our revenue derived from network security products accounted for approximately 54.8%, 45.8% and 37.1% of such segment revenue for the respective periods, whilst our revenue derived from system security products and application and data security products accounted for approximately 21.8%, 37.2% and 38.5% and approximately 23.4%, 17.0% and 24.4% of such segment revenue for the respective periods.

Change in product mix

FY2015 compared to FY2016

Our revenue generated from system security products has taken up a larger percentage of our revenue in FY2016 as compared to FY2015 increasing from representing approximately 21.8% of our revenue in FY2015 to approximately 37.2% of our revenue in FY2016. Such increase was mainly due to the substantial increase in revenue generated from system security products from approximately HK\$16.0 million for FY2015 to approximately HK\$39.8 million for FY2016, which was mainly due to (i) our enhanced market penetration of products procured from Vendor D in the PRC where our sales of such product in the PRC has increased by approximately HK\$10.5 million; (ii) two new vendors introduced during FY2016 (one of which was Vendor H) contributed an increase in revenue of approximately HK\$6.5 million in aggregate; and (iii) the increase in sale of products procured from Vendor C of approximately HK\$2.8 million.

FINANCIAL INFORMATION

Our revenue generated from network security products and application and data security products has taken up a smaller percentage of our sales in FY2016 as compared to FY2015, decreasing from representing approximately 54.8% and approximately 23.4% of our revenue in FY2015 to approximately 45.8% and approximately 17.0% of our revenue in FY2016, respectively, notwithstanding the amount of revenue generated from the aforementioned product segments has recorded a growth. Such decrease in shares of our revenue was mainly due to the substantial increase in revenue of our system security products, the reason of which has been discussed in the paragraph above.

1H2016 compared to 1H2017

Our revenue generated from network security products has taken up a smaller percentage of our revenue between 1H2016 and 1H2017, decreasing from representing approximately 58.2% of our revenue in 1H2016 to approximately 37.1% of our revenue in 1H2017. Such decrease was mainly due to (i) substantial increase in sales in other product segments; (ii) our Group has shifted focus from distributing products procured from Vendor A to products procured from Vendor F with similar functionalities; and (iii) our Group has shifted focus from products procured from Vendor G and another vendor to other products which our management believe were of higher market potential, resulting a decrease in revenue of approximately HK\$4.6 million.

Our revenue generated from system security products has taken up a larger percentage of our sales in 1H2016 as compared to 1H2017 increasing from representing approximately 24.9% of our revenue in 1H2016 to approximately 38.5% of our revenue in 1H2017. Such increase was due to the combined effects of (i) the entering into of distributorship agreement with one new vendor in March 2015 and three new vendors (one of which is Vendor H) in 1H2016 with enhanced market penetration of such products in 1H2017, with an aggregate contribution to the increase of our revenue of approximately HK\$9.5 million; and (ii) the decrease in sales of products procured from Vendor C of approximately HK\$1.6 million, as our Group shifted our focus to other products which our management believed were of higher market potential. This product segment recorded an overall increase in the number of customers from 41 to 76, in particular, customers with transaction amounts over HK\$1 million, increased from four to seven.

Our revenue generated from application and data security products has taken up a larger percentage of our revenue between 1H2016 and 1H2017, increasing from representing approximately 16.9% of our revenue in 1H2016 to approximately 24.4% of our revenue in 1H2017. Such increase was mainly due to increase in sales of products procured from Vendor B who has placed more resources in the Hong Kong market during the relevant period.

IT Security Services

The IT Security Services that we provide can be divided into three categories, namely, (i) technical implementation services; (ii) maintenance and support services; and (iii) consulting services. For further description of these categories, please refer to the paragraph headed “Business – Our Products and Services – IT Security Services” in this prospectus.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue derived from the IT Security Services segment by types of services for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Maintenance and support services	40,994	78.8	54,001	77.0	25,056	80.1	34,317	76.1
Technical implementation services	9,698	18.7	14,704	21.0	5,459	17.4	10,313	22.9
Consulting services	1,308	2.5	1,393	2.0	785	2.5	449	1.0
Total	52,000	100.0	70,098	100.0	31,300	100.0	45,079	100.0

Our revenue generated from the IT Security Services segment increased by approximately HK\$18.1 million, or 34.8%, from approximately HK\$52.0 million for FY2015 to approximately HK\$70.1 million for FY2016. For 1H2016 and 1H2017, such segment revenue increased by approximately HK\$13.8 million, or 44.1%, from approximately HK\$31.3 million for 1H2016 to approximately HK\$45.1 million for 1H2017.

For FY2015, FY2016 and 1H2017, maintenance and support services constituted our largest source of revenue generated from the IT Security Services segment, accounting for approximately 78.8%, 77.0% and 76.1% of such segment revenue for the respective periods, whilst our revenue derived from technical implementation services and consulting services accounted for approximately 18.7%, 21.0% and 22.9% and approximately 2.5%, 2.0% and 1.0% of such segment revenue for the respective periods.

Revenue by geographical locations

The following table sets forth the breakdown of our revenue by geographical locations where our customers are located for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Hong Kong	92,103	73.4	124,338	70.2	61,587	72.9	79,580	78.0
Macau (note)	18,060	14.4	16,217	9.2	7,335	8.7	7,208	7.0
Mongolia (note)	1,001	0.8	4,763	2.7	274	0.3	1,517	1.5
The PRC	11,057	8.8	23,794	13.4	12,396	14.7	8,893	8.7
Singapore	3,238	2.6	7,887	4.5	2,904	3.4	4,864	4.8
Total	125,459	100.0	176,999	100.0	84,496	100.0	102,062	100.0

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

FINANCIAL INFORMATION

For FY2015, FY2016 and 1H2017, our principal operation was in Hong Kong with approximately 73.4%, 70.2% and 78.0% of our total revenue generated from the customers located in Hong Kong, respectively. For the same periods, our revenue generated from customers located in Macau accounted for approximately 14.4%, 9.2% and 7.0% of our total revenue, respectively, with approximately 8.8%, 13.4% and 8.7%, and approximately 2.6%, 4.5% and 4.8% of our total revenue generated from the customers located in the PRC and Singapore, respectively.

Revenue by types of customers

During the Track Record Period and up to the Latest Practicable Date, we have served over 300 customers. Our customers are mainly divided into two categories, namely: (i) resellers; and (ii) end-users. Resellers are mainly IT companies which provide overall IT Solutions to end-users while end-users include government bodies, public utilities, telecommunication companies, finance institution, insurance companies and education institutions.

The following table sets forth the breakdown of our revenue by types of customers for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Resellers	97,109	77.4	136,511	77.1	67,085	79.4	82,862	81.2
End-users	<u>28,350</u>	<u>22.6</u>	<u>40,488</u>	<u>22.9</u>	<u>17,411</u>	<u>20.6</u>	<u>19,200</u>	<u>18.8</u>
Total	<u>125,459</u>	<u>100.0</u>	<u>176,999</u>	<u>100.0</u>	<u>84,496</u>	<u>100.0</u>	<u>102,062</u>	<u>100.0</u>

For FY2015, FY2016 and 1H2017, approximately HK\$97.1 million, HK\$136.5 million and HK\$82.9 million of our total revenue was derived from resellers, respectively, accounting for approximately 77.4%, 77.1% and 81.2% of our total revenue, respectively.

Cost of sales

Our cost of sales represents the costs directly associated with the distribution of IT Security Products and the provision of IT Security Services, including (i) the costs of procurement for the IT Security Products; (ii) the costs of the maintenance and support services charged by our vendors; (iii) the direct staff costs; and (iv) other costs including delivery expenses and service fees paid to service providers we engaged mainly for the provision of local technicians for projects outside Hong Kong.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our cost of sales for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Cost of hardware and software components	55,559	63.2	79,740	64.5	37,756	64.7	45,102	60.2
Cost of services	21,311	24.2	28,153	22.7	14,038	24.0	22,221	29.6
Direct staff costs	8,801	10.0	11,307	9.1	5,353	9.2	5,937	7.9
Others	2,244	2.6	4,606	3.7	1,244	2.1	1,734	2.3
Total	87,915	100.0	123,806	100.0	58,391	100.0	74,994	100.0

For FY2015, FY2016 and 1H2017, our cost of sales were approximately HK\$87.9 million, HK\$123.8 million and HK\$75.0 million, respectively.

Cost of hardware and software components

Cost of hardware and software components represents the amounts paid or payable to vendors for the costs of procurement for the IT Security Products. For FY2015, FY2016 and 1H2017, cost of hardware and software components represented approximately 63.2%, 64.5% and 60.2% of our total cost of sales, respectively.

Cost of services

Cost of services represents the amounts paid or payable to vendors for the costs of their maintenance and support services for the provision of our IT Security Services. For FY2015, FY2016 and 1H2017, cost of services represented approximately 24.2%, 22.7% and 29.6% of our total cost of sales, respectively.

Direct staff costs

Direct staff costs represent the salaries and other staff benefits for our staff who are directly involved in the provision of our IT Security Services. For FY2015, FY2016 and 1H2017, direct staff costs represented approximately 10.0%, 9.1% and 7.9% of our total cost of sales, respectively.

Others

Others principally represent delivery costs, service fees paid or payable to service providers we engaged mainly for its provision of local technicians for projects outside Hong Kong. For FY2015, FY2016 and 1H2017, others represented approximately 2.6%, 3.7% and 2.3% of our total cost of sales, respectively.

FINANCIAL INFORMATION

Cost of sales by business segments

The following table sets forth the breakdown of our cost of sales by business segments for the years/periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK'000	%	HK'000	%	HK'000	%	HK'000	%
	(unaudited)							
IT Security Products	55,649	63.3	80,663	65.2	39,001	66.8	45,322	60.4
IT Security Services	32,266	36.7	43,143	34.8	19,390	33.2	29,672	39.6
Total	87,915	100.0	123,806	100.0	58,391	100.0	74,994	100.0

Our cost of sales for the IT Security Products segment accounted for approximately 63.3%, 65.2% and 60.4% of our total cost of sales for FY2015, FY2016 and 1H2017, respectively, the majority of which was attributable to the cost of hardware and software components. Our cost of sales for our IT Security Services segment accounted for approximately 36.7%, 34.8% and 39.6% of our total cost of sales for FY2015, FY2016 and 1H2017, respectively, the majority of which was attributable to the cost of services.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit, which is the segment results of respective business segments, and gross profit margin by business segments for the years/periods indicated:

	FY2015			FY2016			1H2016			1H2017		
	HK\$'000	% of total gross profit	Gross profit margin %	HK\$'000	% of total gross profit	Gross profit margin %	HK\$'000	% of total gross profit	Gross profit margin %	HK\$'000	% of total gross profit	Gross profit margin %
	(unaudited)											
IT Security Products	17,810	47.4	24.2	26,238	49.3	24.5	14,195	54.4	26.7	11,661	43.1	20.5
IT Security Services	19,734	52.6	38.0	26,955	50.7	38.5	11,910	45.6	38.1	15,407	56.9	34.2
Total	37,544	100.0	29.9	53,193	100.0	30.1	26,105	100.0	30.9	27,068	100.0	26.5

Our overall gross profit was approximately HK\$37.5 million, HK\$53.2 million and HK\$27.1 million for FY2015, FY2016 and 1H2017, respectively, with our overall gross profit margins of approximately 29.9%, 30.1% and 26.5% for FY2015, FY2016 and 1H2017, respectively.

FINANCIAL INFORMATION

For FY2015, FY2016 and 1H2017, (i) our gross profit margins from the IT Security Products segment were approximately 24.2%, 24.5% and 20.5%, respectively; and (ii) our gross profit margins from the IT Security Services segment were approximately 38.0%, 38.5% and 34.2%, respectively. The fact that higher gross profit margin for the IT Security Services segment was recorded as compared to the IT Security Products segment was mainly attributable to (i) the prices of the IT Security Products are determined with reference to our costs set by our vendors; and (ii) higher profit margin could be set for the provision of our IT Security Services as our customers normally have to rely on the professional skillsets and knowledge of our IT technical staff.

Other income

Our other income mainly comprises of (i) bank interest income; (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 paragraph headed “Discussion on Certain Key Balance Sheet Items – Trade and other receivables, prepayments and deposits – Deposits for life insurance contracts” of this section below; and (iii) others, which mainly include the service income from Xceed, a sole proprietor business operated by the spouse of Mr. Raymond Liu, for conducting trainings at our seminar rooms for FY2016 and the gains generated from our foreign currency forward contract for 1H2017.

The following table sets forth the breakdown of other income for the years/periods indicated:

	FY2015	FY2016	1H2016	1H2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Bank interest income	9	10	4	4
Interest income from deposits				
for life insurance contracts	125	440	211	208
Others	<u>37</u>	<u>228</u>	<u>43</u>	<u>76</u>
Total	<u>171</u>	<u>678</u>	<u>258</u>	<u>288</u>

For FY2015, FY2016 and 1H2017, our other income amounted to approximately HK\$0.2 million, HK\$0.7 million and HK\$0.3 million, respectively.

Other gains and losses, net

Our other gains and losses primarily consist of (i) allowance for bad and doubtful debts; (ii) fair value changes of derivative financial instruments; and (iii) net foreign exchange (losses) gains.

FINANCIAL INFORMATION

The following table sets forth the breakdown of other gains and losses, net, for the years/ periods indicated:

	FY2015	FY2016	1H2016	1H2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Allowance for bad and doubtful debts	–	(348)	(348)	(120)
Fair value changes of derivative financial instruments	–	(303)	–	144
Net foreign exchange (losses) gains	(284)	(230)	49	58
Total	(284)	(881)	(299)	82

During the Track Record Period, our other gains and losses were net losses amounted to approximately HK\$0.3 million and HK\$0.9 million for FY2015 and FY2016, respectively, and net gains amounted to approximately HK\$0.1 million for 1H2017.

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of our Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts and on our management's judgement including the current creditworthiness and the past collection history of each customer. We review the recoverable amount of each individual trade receivable balance at the end of each reporting period and when there is objective evidence that we may not be able to collect any overdue trade receivables, we made provisions for impairment for these trade receivables and ensure adequate impairment losses are provided for irrecoverable amounts.

Fair value changes of derivative financial instruments

Our fair value changes of derivative financial instruments comprised realised gains (losses) and unrealised fair value gains (losses) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into between our Group and a bank in Hong Kong.

We are required to settle with the bank monthly during the contract period for designated notional amount. The fair value gains (losses) were then calculated based on the prevailing spot exchange rate and the transaction rate. These contracts were measured at fair value at the end of each reporting period with changes in fair value recognised as unrealised gains (losses).

FINANCIAL INFORMATION

The changes in the fair value of a foreign currency forward contract are subject to key factors, among others, the remaining period to maturity and the difference in the spot rate on year/period end and the HKD and USD yield curves prevailing on the day the swap to be transacted for the remaining period after year/period end.

Notwithstanding that our Group has recorded realised gain from the foreign currency contract of approximately HK\$58,000 for 1H2017, our Group recorded fair value loss and the corresponding liabilities for the foreign currency forward contract primarily due to (i) the remaining time to maturity of such contract; and (ii) the possibilities of losses arising from the volatility of the currency exchange rate which are subject to changes due to uncertainties given the remaining time ahead despite HK\$ and US\$ are pegged at a fixed rate for the time being.

For further details of our foreign currency forward contracts, please refer to the paragraph headed “Discussion of Certain Key Balance Sheet Items – Derivative Financial Instruments” below in this section and Note 22 of the Accountants’ Report in Appendix I to this prospectus.

Net foreign exchange (losses) gains

Our net foreign exchange (losses) gains 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 staffs trade and other payables and bank borrowings.

Distribution and selling expenses

Our distribution and selling expenses primarily consist of (i) staff costs, including salaries, performance related bonus and other staff benefits, in relation to our sales personnel; (ii) travelling, entertainment and marketing expenses mainly incurred for our marketing and business development; (iii) delivery expenses for transporting the IT Security Products to the designated location by our customers; and (iv) other miscellaneous expenses.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our distribution and selling expenses for the years/periods indicated:

	FY2015	FY2016	1H2016	1H2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Staff costs	13,420	13,444	6,176	6,684
Travelling, entertainment and marketing	2,591	2,812	820	1,397
Delivery expenses	131	163	68	109
Others (<i>Note</i>)	<u>2,904</u>	<u>1,768</u>	<u>882</u>	<u>1,053</u>
Total	<u>19,046</u>	<u>18,187</u>	<u>7,946</u>	<u>9,243</u>

Note: Others primarily consist of computer expenses, consultancy fees and other miscellaneous expenses.

For FY2015, FY2016 and 1H2017, our distribution and selling expenses were approximately HK\$19.0 million, HK\$18.2 million and HK\$9.2 million, respectively, representing approximately 15.2%, 10.3% and 9.1% of our total revenue for the respective periods.

Administrative expenses

Our administrative expenses primarily consist of (i) staff costs, including Directors' remuneration, and salaries and other staff benefits for our general staff; (ii) rental expenses; (iii) depreciation expenses on our leasehold improvements, furniture, fixtures and office and computer equipment as well as motor vehicles; (iv) provision for penalty charges; and (v) other miscellaneous expenses.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our administrative expenses for the years/ periods indicated:

	FY2015	FY2016	1H2016	1H2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Staff costs	5,902	7,767	3,015	4,338
Rental expenses	2,302	2,353	1,233	1,539
Depreciation	998	1,170	502	497
Bank charges	93	116	61	107
Utilities	131	141	75	81
Professional fees	68	437	319	588
Auditor's remuneration	73	646	300	370
Provision for penalty charges (Note 1)	–	1,826	1,826	–
Others (Note 2)	<u>1,833</u>	<u>1,709</u>	<u>1,613</u>	<u>1,441</u>
Total	<u>11,400</u>	<u>16,165</u>	<u>8,944</u>	<u>8,961</u>

Notes:

- For details of the provision for penalty charges, please refer to the paragraph headed “Business – Legal Proceedings and Compliance” in this prospectus.
- Others mainly consist of phone expenses, office supplies, insurance and other miscellaneous expenses.

For FY2015, FY2016 and 1H2017, our administrative expenses were approximately HK\$11.4 million, HK\$16.2 million and HK\$9.0 million, respectively, representing approximately 9.1%, 9.1% and 8.8% of our total revenue, respectively.

Listing expenses

For 1H2017, our Group incurred Listing expenses of approximately HK\$2.5 million in preparation for the Listing. We expect that a further amount of Listing expenses of approximately HK\$13.2 million will be charged to the consolidated statement of profit or loss and other comprehensive income for the year ending 31 March 2017.

Finance costs

Our finance costs consist of interest on bank borrowings, obligations under finance leases and loan from Success Vision.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our finance costs for the years/periods indicated:

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	1H2016 <i>HK\$'000</i> (unaudited)	1H2017 <i>HK\$'000</i>
Interest on bank borrowings	227	630	219	155
Interest on obligations under finance leases	36	48	11	8
Interest on loan from a related party (<i>Note</i>)	–	–	–	88
Total	263	678	230	251

Note: For details of such loan, please refer to the paragraph headed “Indebtedness – Amounts due (from) to Directors and related parties” below in this section.

For FY2015, FY2016 and 1H2017, our finance costs amounted to approximately HK\$0.3 million, HK\$0.7 million and HK\$0.3 million, respectively, accounting for approximately 0.2%, 0.4% and 0.2% of our total revenue for the respective periods.

Income tax

For FY2015, FY2016 and 1H2017, our income tax were approximately HK\$1.6 million, HK\$3.3 million and HK\$1.7 million, respectively, amounting to approximately 1.3%, 1.8% and 1.6% of our total revenue for the respective periods.

During the Track Record Period, the corporate income tax rate applicable to (i) our subsidiaries incorporated in Hong Kong, namely Edvance Technology (HK) and Edvance Consulting (HK), was 16.5%; (ii) our subsidiary established in the PRC, namely Edvance Technology (Shenzhen), was 25%; and (iii) our subsidiary established in Singapore, namely Edvance Technology (SG), was 17%. Our subsidiary incorporated in Macau, namely Edvance Technology (Macau), was subject to the Macau Complementary Tax under a progressive rate, the maximum of which is 12% on the estimated assessable profit for the year/period.

During the Track Record Period, no income tax provision has been made for (i) Edvance Technology (SG) since it has incurred tax losses or the assessable profits were absorbed by the tax losses brought forward; and (ii) Edvance Technology (Macau) since it has not started operation.

FINANCIAL INFORMATION

For FY2015, FY2016 and 1H2017, our effective tax rates, calculated as the taxation divided by the profit before taxation, were approximately 24.5%, 18.2% and 25.8%, respectively. The difference between our effective tax rates and the applicable corporate and income tax rates in the relevant jurisdictions was primarily due to (i) certain of our costs and expenses which were non-deductible in accordance with the relevant tax laws and regulations; (ii) the tax effect of tax losses not recognised and our utilisation of tax losses previously not recognised in the PRC in FY2015 and Singapore in FY2016; and (iii) the recognition of withholding tax relating to the earnings generated from Edvance Technology (Shenzhen).

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group does not have any unresolved tax issue or dispute with the relevant tax authorities.

Accumulated losses at the beginning of the Track Record Period

As at 1 April 2014, our Group recorded accumulated losses brought forward of approximately HK\$1.5 million (the “**Accumulated Loss**”) primarily attributable to our Group declared dividends in aggregate of HK\$12 million in prior years. The amounts of dividends were based on the statutory and audited financial statements of Edvance Technology (HK) for the financial year ended 31 March 2014, in which it was at the profit making positions during the relevant years (the “**ETHK’s Audited Accounts**”) and recorded retained earnings which were sufficient and capable for Edvance Technology (HK) to declare and distribute dividends. However, during the preparation of the statutory financial statements of Edvance Technology (HK) for FY2016, certain accounting errors were identified, among others, certain revenue generated from the maintenance and support service and its relevant costs were recognised in the year when the contracts were entered into, however, such revenue and the relevant costs should have recognised in a later financial year. For details of the background of the Accumulated Loss, please refer to the paragraph headed “**Background**” below. After rectifying those accounting errors, the profit for distribution of dividends in the ETHK’s Audited Accounts should be smaller, however, as dividends had already been distributed and irreversible, thus our Group recorded the Accumulated Loss.

Background

Prior to the preparation of the Listing, Edvance Technology (HK) had engaged independent local accounting firm as its auditor (the “**Local Auditor**”) for the audit of its statutory financial statements and for the preparation of tax computations and tax returns for submission to the Inland Revenue Department (the “**IRD**”).

FINANCIAL INFORMATION

With regards to the historical statutory financial statements and the tax returns of Edvance Technology (HK) previously filed with the IRD, (i) the then employee of Edvance Technology (HK), who was not a certified public accountant, was responsible for the bookkeeping of the financial records of Edvance Technology (HK) (the “**Relevant Staff**”); (ii) the Local Auditor subsequently audited the documents prepared by the Relevant Staff and prepared the ETHK’s Audited Accounts; and (iii) the Local Auditor then prepared the tax computations and tax returns based on the ETHK’s Audited Accounts. The ETHK’s Audited Accounts were considered and approved by the then directors of Edvance Technology (HK) and the tax returns were filed with the IRD accordingly. Based on the ETHK’s Audited Accounts, Edvance Technology (HK) declared dividends in each of the financial years ended 31 March 2010, 31 March 2011, 31 March 2012 and 31 March 2014 (the “**Dividend Distribution**”).

During the preparation of the statutory financial statements of Edvance Technology (HK) for FY2016, certain accounting errors and misclassification had been identified in the ETHK’s Audited Accounts, including, among others, certain revenue generated from maintenance and support services and its corresponding costs, which should be recognised in subsequent periods in accordance with the duration of the contracts entered into between Edvance Technology (HK) and its customers, were recognised in the year when the contracts were entered into. Such accounting errors resulted in the overstatement of profit and total comprehensive income in the ETHK’s Audited Accounts for the relevant years which in turn led to overstatement of the retained earnings of Edvance Technology (HK) (the “**Overstatements**”).

The reasons that the erroneous accounting treatments were adopted in the ETHK’s Audited Accounts were because of (i) the lack of technical knowledge of the Relevant Staff for the preparation of the financial statements of Edvance Technology (HK); and (ii) the misjudgement made by the Local Auditor when evaluating the accounting treatments adopted in the financial statements of Edvance Technology (HK), whilst such accounting treatment was believed to be correct at the relevant time.

To rectify the errors identified in the ETHK’s Audited Accounts, our Group had made relevant adjustments to the financial information of Edvance Technology (HK) (the “**Audit Adjustments**”). After such Audit Adjustments and as a result of the distribution of dividend in the financial year ended 31 March 2014, our Group recorded accumulated losses of approximately HK\$1.5 million as at 1 April 2014 in our consolidated financial statements included in the Accountants’ Report as set out in Appendix I to the prospectus.

FINANCIAL INFORMATION

Remedial actions taken in relation to the abovementioned incident

Given that the Overstatements have led to the overstatement of the assessable profits of Edvance Technology (HK) in the tax returns filed with the IRD, our Company has engaged its tax representative (the “**Tax Representative**”) to, among other things, (i) make an application under Section 70A of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) to reopen the profits tax positions of Edvance Technology (HK) for the years of assessment 2013/14 and 2014/15; and (ii) object to the notice of final assessment of Edvance Technology (HK) for the year of assessment 2015/16 in December 2016 based on the revised financial information of Edvance Technology (HK).

Based on the letter prepared by the Tax Representative, tax overcharged for the years of assessment 2013/14 and 2014/15 were approximately HK\$1.6 million and HK\$1.3 million, respectively, and excessive tax assessed for the year of assessment 2015/16 was approximately HK\$8,000. As at the Latest Practicable Date, our Directors confirmed that no response has been received so far from the IRD.

In addition, in order to avoid reoccurrence of similar accounting errors as mentioned above, our Group has (i) employed a certified public accountant as our senior finance manager to review the management accounts and financial information prepared by our staff in the accounting department prior to passing the same to our Directors for their approval; (ii) established accounting policies and procedures manual in accordance with the HKFRs, including but not limited to, the timetable of month-end closing, preparation, approval and filing of financial statement, segregation of duties among the staffs in the accounting department, the revenue recognition policies and the procedures; and (iii) arranged for our staff in the accounting department to attend technical trainings on accounting and taxation issues and will arrange the same from time to time to update and advance the relevant knowledge of our staff.

FINANCIAL INFORMATION

Whether the Dividend Distribution is in compliance with the relevant laws and regulations in Hong Kong

Compliance with the Predecessor Companies Ordinance

As each of the Dividend Distribution was made with reference to the ETHK's Audited Accounts where the profit for the year and/or reserves for the year were higher than the amount of the respective dividend distributed, Mr. Bruce K.W. Lau, a barrister-at-law in Hong Kong as a special counsel to our Company, is of the view that the Dividend Distribution were made out of the profits or reserves then available for such purpose pursuant to section 79B of the Predecessor Companies Ordinance. Furthermore, under section 79F of the Predecessor Companies Ordinance, the lawfulness of a dividend distribution shall be determined by reference to the last annual accounts for the year in which the distribution was made. Given the fact that the Audit Adjustments only came later in the statutory financial statement of Edvance Technology (HK) for FY2016 as well as reflected in the Accountants' Report on consolidation, Mr. Bruce K.W. Lau is of the view that the Dividend Distribution was lawful in spite of the Audit Adjustments.

Pursuant to section 79M of the Predecessor Companies Ordinance, if a member to whom the distribution was unlawfully made have knowledge or reasonable ground to believe that the distribution was unlawful and yet had chosen to accept such dividend, then such member is liable to repay the company the difference between the amounts of the part of the lawful distribution and the unlawful distribution. Mr. Bruce K.W. Lau is of the view that there is no hint by which the then members of Edvance Technology (HK) had formed such knowledge or ground. The then members of Edvance Technology (HK) have also confirmed that they have no such knowledge nor ground to believe that the Dividend Distribution was unlawful. Based on the above, Mr. Bruce K.W. Lau concluded that no liability under section 79M of the Predecessor Companies Ordinance would arise from the Dividend Distribution.

Compliance with the accounting standards and the tax laws and regulations in Hong Kong

There is no accounting standards or tax laws in Hong Kong governing the dividend declaration or distribution.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULT OF OUR OPERATIONS

1H2016 compared to 1H2017

Revenue

Our revenue increased by approximately HK\$17.6 million, or 20.8%, from approximately HK\$84.5 million for 1H2016 to approximately HK\$102.1 million for 1H2017. Such increase was primarily attributable to (i) the increase in revenue from our IT Security Services segment by approximately HK\$13.8 million; and (ii) the increase in revenue from the IT Security Products segment by approximately HK\$3.8 million, details of which are explained below:

IT Security Products

Our revenue generated from the IT Security Products segment increased by approximately HK\$3.8 million, or 7.1%, from approximately HK\$53.2 million for 1H2016 to approximately HK\$57.0 million for 1H2017. Such increase was primarily attributable to the increase in revenue generated from system security products and application and data security products of approximately HK\$8.7 million and HK\$4.9 million, respectively, which was partially offset by the decrease in revenue generated from the network security products of approximately HK\$9.8 million.

- *Network security products* – Our revenue decreased by approximately HK\$9.8 million, or 31.7%, from approximately HK\$30.9 million for 1H2016 to approximately HK\$21.1 million for 1H2017. Such decrease was mainly due to the combined effects of (i) the decrease in sales of products procured from Vendor A of approximately HK\$9.6 million, as resulted from our Group's introduction of products procured from Vendor F with similar functionalities; and (ii) the decrease in the sales of the products procured from Vendor G and another vendor of approximately HK\$2.4 million and HK\$2.2 million, respectively, as we shifted our focus to other products which our management believed were of higher market potential. Such substantial decrease was partially netted off by the increase in sales of products procured from Vendor F of approximately HK\$8.2 million.
- *System security products* – Our revenue increased by approximately HK\$8.7 million, or 65.4%, from approximately HK\$13.3 million for 1H2016 to approximately HK\$22.0 million for 1H2017. Such increase was mainly due to the combined effects of (i) the introduction of one new vendor in March 2015 and three new vendors during 1H2016 (one of which was Vendor H) with enhanced market penetration of such products, with an aggregate contribution to the increase in revenue of approximately HK\$9.5 million; and (ii) the decrease in sales of products procured from Vendor C of approximately HK\$1.6 million, as our Group shifted our focus to other products which

FINANCIAL INFORMATION

our management believed were of higher market potential. Such product segment recorded an overall increase in the number of customers from 41 to 76, in particular, customers with transaction amounts over HK\$1 million increased from four to seven.

- *Application and data security products* – Our revenue increased by approximately HK\$4.9 million, or 54.4%, from approximately HK\$9.0 million for 1H2016 to approximately HK\$13.9 million for 1H2017, which was primarily attributable to the increase in sales of products procured from Vendor B of approximately HK\$4.6 million which has placed more resources in the Hong Kong market during the relevant period.

IT Security Services

Our revenue generated from our IT Security Services segment increased by approximately HK\$13.8 million, or 44.1%, from approximately HK\$31.3 million for 1H2016 to approximately HK\$45.1 million for 1H2017. Such increase was primarily attributable to the increase in revenue generated from maintenance and support services and technical implementation services of approximately HK\$9.2 million and HK\$4.8 million, respectively.

- *Maintenance and support services* – Our revenue is generally recurring in nature and such revenue increased by approximately HK\$9.2 million, or 36.7%, from approximately HK\$25.1 million for 1H2016 to approximately HK\$34.3 million for 1H2017, which was primarily attributable to the increase in number of customers for such services from 216 to 235, corresponding to the growth of our business in the IT Security Products segment, with the average annual maintenance and support services fees per customer (on an annualised basis) increased from approximately HK\$232,000 for 1H2016 to approximately HK\$292,000 for 1H2017.
- *Technical implementation services* – Our revenue increased by approximately HK\$4.8 million, or 87.3%, from approximately HK\$5.5 million for 1H2016 to approximately HK\$10.3 million for 1H2017, which was primarily attributable to the increase in large scale projects, as reflected by the number of customers with transaction amounts over HK\$500,000 increased from nil to six, two of which were with transaction amounts over HK\$1 million.
- *Consulting services* – Our revenue was approximately HK\$0.8 million and HK\$0.4 million for 1H2016 and 1H2017, respectively.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by approximately HK\$16.6 million, or 28.4%, from approximately HK\$58.4 million for 1H2016 to approximately HK\$75.0 million for 1H2017. Such increase was in line with the increase in our revenue growth during the period, details of which are explained below:

- ***Cost of hardware and software components*** – Cost of hardware and software components increased by approximately HK\$7.3 million, or 19.3%, from approximately HK\$37.8 million for 1H2016 to approximately HK\$45.1 million for 1H2017. Such increase was primarily due to the increase in total costs for procurement of IT Security Products, which was in line with the increase in our revenue derived from the IT Security Products segment.
- ***Cost of services*** – Cost of services increased by approximately HK\$8.2 million, or 58.6%, from approximately HK\$14.0 million for 1H2016 to approximately HK\$22.2 million for 1H2017. Such increase was primarily due to the increase in total costs of maintenance and support services charged by our vendors, which corresponded to the increase in our revenue derived from the provision of maintenance and support services under the IT Security Services segment.
- ***Direct staff costs*** – Direct staff costs increased by approximately HK\$0.5 million, or 9.3%, from approximately HK\$5.4 million for 1H2016 to approximately HK\$5.9 million for 1H2017. Such increase was primarily due to the additional of headcounts of technical staff for our IT Security Services and the salary increment of our existing technical staff.
- ***Others*** – Other costs remained relatively stable at approximately HK\$1.2 million and HK\$1.7 million for 1H2016 and 1H2017, respectively. Such increase was primarily attributable to the increase in service fees paid to service providers we engaged mainly for the provision of local technicians for projects outside Hong Kong of approximately HK\$0.6 million.

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit increased by approximately HK\$1.0 million, or 3.8%, from approximately HK\$26.1 million for 1H2016 to approximately HK\$27.1 million for 1H2017, with our overall gross profit margin decreased from approximately 30.9% for 1H2016 to approximately 26.5% for 1H2017.

- ***IT Security Products*** – Our gross profit decreased by approximately HK\$2.5 million, or 17.6%, from approximately HK\$14.2 million for 1H2016 to approximately HK\$11.7 million for 1H2017, with our gross profit margin decreased from approximately 26.7% for 1H2016 to approximately 20.5% for 1H2017. Such decrease

FINANCIAL INFORMATION

was primarily due to our products procured from Vendor F recorded a lower gross profit margin as a result of the competitive pricing set for sizeable customers to increase our market share with increased market penetration of such products, in particular, three customers were with transaction amounts over HK\$1 million.

- **IT Security Services** – Our gross profit increased by approximately HK\$3.5 million, or 29.4%, from approximately HK\$11.9 million for 1H2016 to approximately HK\$15.4 million for 1H2017, with our gross profit margin approximately 38.1% and 34.2% for 1H2016 and 1H2017, respectively. Such decrease was primarily attributable to our maintenance and support services for products procured from Vendor F recorded a lower gross profit margin due to our Group's intention to increase our market share with increased market penetration for such products.

Other income

Our other income remained stable at approximately HK\$0.3 million and HK\$0.3 million for 1H2016 and 1H2017, respectively.

Other gains and losses, net

Our other gains and losses for 1H2017 were net gains of approximately HK\$0.1 million which increased by approximately HK\$0.4 million from net losses of approximately HK\$0.3 million for 1H2016. Such increase was primarily due to (i) the decrease in the allowance for bad and doubtful debts of approximately HK\$0.2 million; and (ii) the recognition of fair value gain of our derivative financial instruments of approximately HK\$0.1 million. The recognition of allowance for bad and doubtful debts of approximately HK\$120,000 for 1H2017 was resulted from a customer of the IT Security Products who has delivered us a cheque which was dishonoured upon presentation.

Distribution and selling expenses

Our distribution and selling expenses increased by approximately HK\$1.3 million, or 16.5%, from approximately HK\$7.9 million for 1H2016 to approximately HK\$9.2 million for 1H2017. Such increase was primarily due to (i) the increase in travelling, entertainment and marketing expenses of approximately HK\$0.6 million; and (ii) the increase in staff costs of approximately HK\$0.5 million as resulted from the additional of headcounts for our sales staff and the salary increment of our existing sales staff.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses remained stable at approximately HK\$8.9 million and HK\$9.0 million for 1H2016 and 1H2017, respectively. It was mainly due to the combined effects of (i) the increase in staff costs of approximately HK\$1.3 million as resulted from the additional headcounts for general staff and the salary increment of our existing general staff and the increase in Directors' remuneration; and (ii) the recognition in provision for penalty charges of approximately HK\$1.8 million for FY2016. For details for the provisions for the penalty charges, please refer to the paragraph headed "Discussion of Certain Key Balance Sheet Items – Provision for penalty charges" below in this section.

Finance costs

Our finance costs remained stable at approximately HK\$0.2 million and HK\$0.3 million for 1H2016 and 1H2017, respectively.

Taxation

Our taxation were approximately HK\$2.2 million and HK\$1.7 million for 1H2016 and 1H2017, respectively, with our effective tax rate increased from approximately 24.2% for 1H2016 to approximately 25.8% for 1H2017. Such increase was primarily due to the non-deductible Listing expenses of approximately HK\$2.5 million for 1H2017; and (ii) the decrease in withholding tax arising from dividends received from Edvance Technology (Shenzhen).

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$2.0 million, or 29.4%, from approximately HK\$6.8 million for 1H2016 to approximately HK\$4.8 million for 1H2017, with our net profit margin recorded a decrease from approximately 8.0% for 1H2016 to approximately 4.7% for 1H2017. Our net profit margin (excluding the impact of the non-recurring Listing expenses) would be approximately 7.2% for 1H2017.

Profit for the period attributable to owners of the Company

As a result of the foregoing, our profit for the period attributable to owners of the Company decreased by approximately HK\$2.4 million, or 41.4%, from approximately HK\$5.8 million for 1H2016 to approximately HK\$3.4 million for 1H2017, with our net profit margin attributable to owners of the Company recorded a decrease from approximately 6.8% for 1H2016 to approximately 3.4% for 1H2017. Our net profit margin attributable to owners of the Company (excluding the impact of the non-recurring Listing expenses) would be approximately 5.8% for 1H2017.

FINANCIAL INFORMATION

FY2016 compared with FY2015

Revenue

Our revenue increased significantly by approximately HK\$51.5 million, or 41.0%, from approximately HK\$125.5 million for FY2015 to approximately HK\$177.0 million for FY2016. Such increase was primarily attributable to (i) the increase in revenue from the IT Security Products segment by approximately HK\$33.4 million; and (ii) the increase in revenue from our IT Security Services segment by approximately HK\$18.1 million, details of which are explained below:

IT Security Products

Our revenue generated from our IT Security Products segment increased by approximately HK\$33.4 million, or 45.4%, from approximately HK\$73.5 million for FY2015 to approximately HK\$106.9 million for FY2016. Such increase was primarily attributable to the increase in revenue generated from system security products and network security products of approximately HK\$23.8 million and HK\$8.7 million, respectively.

- *Network security products* – Our revenue increased by approximately HK\$8.7 million, or 21.6%, from approximately HK\$40.2 million for FY2015 to approximately HK\$48.9 million for FY2016. Such increase was mainly due to the combined effects of (i) our sales in relation to five new vendors introduced in FY2015, three of which were Vendor E, Vendor F and Vendor G, has picked up with an aggregate increase in revenue of approximately HK\$25.6 million for FY2016; and (ii) the decrease in sales derived from the products procured from Vendor A of approximately HK\$19.2 million, as resulted from our Group's introduction of products procured from Vendor F with similar functionalities competitive products. Such product segment recorded an overall increase in the number of customers from 75 to 112, in particular, customers with transaction amounts over HK\$5 million increased from one to three.
- *System security products* – Our revenue increased by approximately HK\$23.8 million, or 148.8%, from approximately HK\$16.0 million for FY2015 to approximately HK\$39.8 million for FY2016. Such increase was mainly due to (i) the increase in total sales of the products procured from Vendor D of approximately HK\$12.9 million, primarily resulted from our enhanced market penetration of such products into the PRC market as reflected by the notable increase in sales of such products derived from the PRC market of approximately HK\$10.5 million; (ii) two new vendors introduced during FY2016, (one of which was Vendor H), contributed an increase in revenue of approximately HK\$6.5 million in aggregate; and (iii) the increase in sales of products procured from Vendor C of approximately HK\$2.8 million. Such segment recorded an overall increase in the number of customers from 31 to 84, in particular, customers with transaction amounts over HK\$1 million increased from six to twelve.

FINANCIAL INFORMATION

- *Application and data security products* – Our revenue remained stable at approximately HK\$17.2 million and HK\$18.2 million for FY2015 and FY2016, respectively, with approximately 87.2% and 86.4% were contributed by the products procured from Vendor B for the respective years.

IT Security Services

Our revenue generated from our IT Security Services segment increased by approximately HK\$18.1 million, or 34.8%, from approximately HK\$52.0 million for FY2015 to approximately HK\$70.1 million for FY2016. Such increase was primarily attributable to the increase in revenue generated from maintenance and support services and technical implementation services of approximately HK\$13.0 million and HK\$5.0 million, respectively.

- *Maintenance and support services* – Our revenue from such services is generally recurring in nature and such revenue increased by approximately HK\$13.0 million, or 31.7%, from approximately HK\$41.0 million for FY2015 to approximately HK\$54.0 million for FY2016, which was primarily attributable to the increase in number of customers for such services from 206 to 243, which was in line with the growth of our business in the IT Security Products segment, with the average annual maintenance and support services fees per customer increased from approximately HK\$199,000 for FY2015 to approximately HK\$222,000 for FY2016.
- *Technical implementation services* – Our revenue increased by approximately HK\$5.0 million, or 51.5%, from approximately HK\$9.7 million for FY2015 to approximately HK\$14.7 million for FY2016, primarily attributable to the increase in number of customers for such services from 63 to 81, which was in line with the growth of our business in the IT Security Products segment. In particular, approximately HK\$3.8 million of such increase was contributed by the provision of services to a casino operator in Macau.
- *Consulting services* – Our revenue remained stable at approximately HK\$1.3 million and HK\$1.4 million for FY2015 and FY2016, respectively.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by approximately HK\$35.9 million, or 40.8% from approximately HK\$87.9 million for FY2015 to approximately HK\$123.8 million for FY2016. Such increase was in line with the increase in our revenue during the year, details of which are explained below:

- **Cost of hardware and software components** – Cost of hardware and software increased by approximately HK\$24.1 million, or 43.3%, from approximately HK\$55.6 million for FY2015 to approximately HK\$79.7 million for FY2016. Such increase was primarily due to the increase in total costs for procurement of the IT Security Products, which was in line with the increase in our revenue derived from the IT Security Products segment.
- **Cost of services** – Cost of services increased by approximately HK\$6.9 million, or 32.4%, from approximately HK\$21.3 million for FY2015 to approximately HK\$28.2 million for FY2016. Such increase was primarily due to the increase in total costs for maintenance and support services charged by our vendors, which corresponded to the increase in our revenue derived from the provision of maintenance and support services under the IT Security Services segment.
- **Direct staff costs** – Direct staff costs increased by approximately HK\$2.5 million, or 28.4%, from approximately HK\$8.8 million for FY2015 to approximately HK\$11.3 million for FY2016. Such increase was primarily due to the additional of headcounts of technical staff for our IT Security Services and the salary increment of our existing technical staff.
- **Others** – Other costs increased by approximately HK\$2.4 million, or 109.1%, from approximately HK\$2.2 million for FY2015 to approximately HK\$4.6 million for FY2016. Such increase was primarily due to the increase in service fees of approximately HK\$2.4 million mainly in relation to the service fees paid for provision of local technicians for projects outside Hong Kong.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit has increased by approximately HK\$15.7 million, or 41.9%, from approximately HK\$37.5 million for FY2015 to approximately HK\$53.2 million for FY2016, with our overall gross profit margin for FY2015 and FY2016 remained relatively stable at approximately 29.9% and 30.1% respectively.

- **IT Security Products** – Our gross profit increased by approximately HK\$8.4 million, or 47.2%, from approximately HK\$17.8 million for FY2015 to approximately HK\$26.2 million for FY2016, with our gross profit margin for FY2015 and FY2016 remains relatively stable at approximately 24.2% and 24.5%, respectively.
- **IT Security Services** – Our gross profit increased by approximately HK\$7.3 million, or 37.1%, from approximately HK\$19.7 million for FY2015 to approximately HK\$27.0 million for FY2016, with our gross profit margin increased from approximately 38.0% for FY2015 to approximately 38.5% for FY2016.

Other income

Our other income increased by approximately HK\$0.5 million, or 250.0%, from approximately HK\$0.2 million for FY2015 to approximately HK\$0.7 million for FY2016. Such increase was primarily due to (i) the increase in interest income from deposits for life insurance contracts purchased for our Directors and senior staff of approximately HK\$0.3 million; and (ii) the increase in service income from Xceed of approximately HK\$0.2 million for conducting trainings at our seminar rooms.

Other gains and losses, net

Our other gains and losses were net losses which increased by approximately HK\$0.6 million, or 200.0%, from approximately HK\$0.3 million for FY2015 to approximately HK\$0.9 million for FY2016. Such increase was primarily due to the combined effects of (i) the recognition of allowance for bad and doubtful debts of approximately HK\$0.3 million as a winding-up petition had been filed against a customer of the IT Security Products; and (ii) the recognition in fair value loss of our derivative financial instruments of approximately HK\$0.3 million.

Distribution and selling expenses

Our distribution and selling expenses decreased by approximately HK\$0.8 million, or 4.2%, from approximately HK\$19.0 million for FY2015 to approximately HK\$18.2 million for FY2016. Such decrease was primarily due to the decrease in other expenses of approximately HK\$1.1 million, which was partially offset by the increase in travelling, entertainment and marketing expenses of approximately HK\$0.2 million for our marketing and business development corresponding to our revenue growth and the increasing contribution of revenue outside Hong Kong.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increased by approximately HK\$4.8 million, or 42.1%, from approximately HK\$11.4 million for FY2015 to approximately HK\$16.2 million for FY2016. Such increase was primarily due to (i) the increase in staff costs of approximately HK\$1.9 million mainly due to the addition remuneration for a new director and the increase in performance bonus and other staff benefits; (ii) the increase in provision for penalty charges of approximately HK\$1.8 million; and (iii) the increase in auditor's remuneration of approximately HK\$0.6 million. For details for the provisions for the penalty charged, please refer to the paragraph headed "Discussion of Certain Key Balance Sheet Items – Provision for penalty charges" below in this section.

Finance costs

Our finance costs increased by approximately HK\$0.4 million, or 133.3%, from approximately HK\$0.3 million for FY2015 to approximately HK\$0.7 million for FY2016. Such increase was primarily due to the increase in interest expenses on bank borrowings of approximately HK\$0.4 million as resulted from the increased level of bank borrowings during the year.

Taxation

Our taxation increased by approximately HK\$1.7 million, or 106.3%, from approximately HK\$1.6 million for FY2015 to approximately HK\$3.3 million for FY2016. Our effective tax rate for FY2016 decreased from approximately 24.5% for FY2015 to approximately 18.2% for FY2016. Such decrease was mainly due to the utilisation of tax losses previously not recognised by Edvance (Singapore) during FY2016.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$9.6 million, or 188.2%, from approximately HK\$5.1 million for FY2015 to approximately HK\$14.7 million for FY2016, with our net profit margin recorded an increase from approximately 4.0% for FY2015 to approximately 8.3% for FY2016. Despite our revenue recorded a growth from FY2015 to FY2016, our distribution and selling expenses remained stable for both years, in particular, the staff costs for our sales staff were of similar level as (i) their remuneration package mainly consisted of basic salary; and (ii) the number of our sales staff remained stable for both years.

Profit for the year attributable to owners of the Company

As a result of the foregoing, our profit for the year attributable to owners of the Company increased by approximately HK\$6.3 million, or 110.5%, from approximately HK\$5.7 million for FY2015 to approximately HK\$12.0 million for FY2016, with our net profit margin attributable to owners of the Company recorded an increase from approximately 4.6% for FY2015 to approximately 6.8% for FY2016.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal sources of fund have been our equity capital, cash generated from our business operations and bank borrowings. Our primary liquidity requirements are to finance our working capital, payment of interest due on our indebtedness and fund our capital expenditures and growth of our operations. Going forward, our Group expects these sources to continue to be our principal sources of liquidity and we may use a portion of the net proceeds from the Share Offer to finance a portion of our liquidity requirements, details of which please refer to the section headed “Business Objectives and Future Plans” of this prospectus.

Cash flows

The following table sets out a summary of the combined statements of cash flows for the years/periods indicated:

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	1H2016 <i>HK\$'000</i> (unaudited)	1H2017 <i>HK\$'000</i>
Net cash generated from (used in) operating activities	6,103	12,580	2,547	(2,343)
Net cash used in investing activities	(1,510)	(9,034)	(7,396)	(1,129)
Net cash (used in) generated from financing activities	<u>(2,704)</u>	<u>2,135</u>	<u>5,554</u>	<u>716</u>
Net increase (decrease) in cash and cash equivalents	1,889	5,681	705	(2,756)
Cash and cash equivalents at beginning of the year/period	4,902	6,862	6,862	12,494
Effect of exchange rate changes	<u>71</u>	<u>(49)</u>	<u>(112)</u>	<u>(289)</u>
Cash and cash equivalents at end of the year/period	<u><u>6,862</u></u>	<u><u>12,494</u></u>	<u><u>7,455</u></u>	<u><u>9,449</u></u>

FINANCIAL INFORMATION

Cash flows generated from (used in) operating activities

Our cash flows generated from operating activities are mainly the receipt of payments from our customers for the distribution of IT Security Products and the provision of IT Security Services. Our cash used in operating activities primarily consists of (i) the purchases of IT Security Products from vendors; (ii) payment of maintenance and support services to vendors; (iii) payment of service fees to service providers; (iv) employee benefits expenses; and (v) other expenses relating to our operating activities.

Our net cash used in operating activities was approximately HK\$2.3 million for 1H2017, which comprised of operating cash flows before movements in working capital amounted to approximately HK\$7.0 million. The changes in working capital primarily comprised of the increase in trade and other receivables, prepayments and deposits of approximately HK\$15.8 million, which were partially offset by (i) the decrease in inventories of approximately HK\$5.2 million; and (ii) the increase in trade and other payables and accruals of approximately HK\$1.9 million.

Our net cash generated from operating activities was approximately HK\$12.6 million for FY2016, which comprised of operating cash flows before movements in working capital amounted to approximately HK\$20.0 million. The changes in working capital was primarily comprised of (i) the increase in trade and other receivables, prepayments and deposits of approximately HK\$24.0 million; and (ii) the increase in inventories of approximately HK\$5.8 million, which were partially netted off by (i) the increase in trade and other payables and accruals of approximately HK\$21.7 million; and (ii) the increase in provision for penalty charges of approximately HK\$1.8 million.

Our net cash generated from operating activities was approximately HK\$6.1 million for FY2015, which comprised of operating cash flows before movements in working capital amounted to approximately HK\$7.8 million. The changes in working capital was primarily comprised of the increase trade and other payables and accruals of approximately HK\$15.9 million, which were partially netted off by (i) the increase in trade and other receivables, prepayments and deposits of approximately HK\$13.2 million; and (ii) the increase in inventories of approximately HK\$1.6 million.

For details of the reasons for the abovementioned changes, please refer to the paragraph headed “Discussion of Certain Key Balance Sheet Items” below in this section.

Cash flows used in investing activities

Our cash flows used in investing activities primarily consist of (i) the purchase of property and equipment; (ii) the payment for life insurance contracts; and (iii) the advance to Directors.

FINANCIAL INFORMATION

Our net cash used in investing activities amounted to approximately HK\$1.1 million for 1H2017, primarily resulted from the advance to Directors of approximately HK\$0.9 million.

Our net cash used in investing activities amounted approximately HK\$9.0 million for FY2016, primarily due to the payment for life insurance contracts purchased for our Directors and senior staff of approximately HK\$9.4 million, being partially netted off by the repayment from Directors of approximately HK\$0.5 million.

Our net cash used in investing activities was approximately HK\$1.5 million for FY2015, which mainly comprised of the purchase of property and equipment of approximately HK\$1.5 million for our business operations.

Cash flows (used in) generated from financing activities

Our cash flows generated from financing activities primarily consists of (i) bank borrowings raised; (ii) the advance from Directors; and (iii) the advance from a related party. Our cash used in financing activities primarily consists of (i) the repayment of bank borrowings; (ii) the repayment to Directors; (iii) the repayment of obligations under finance leases; (iv) payment of dividend; (v) interest paid; and (vi) the payment for acquisition from non-controlling interest of subsidiaries.

Our net cash generated from financing activities was approximately HK\$0.7 million for 1H2017, mainly due to the advance from Success Vision of approximately HK\$6.0 million, being partially netted off by (i) the repayment to Directors of approximately HK\$3.5 million; and (ii) the repayment of bank borrowing of approximately HK\$1.4 million.

Our net cash generated from financing activities was approximately HK\$2.1 million for FY2016, mainly due to (i) the bank borrowings raised of approximately HK\$40.7 million for (a) working capital purposes and (b) the purchase of life insurance policies for our Directors and senior staff; and (ii) the advance from Directors of approximately HK\$4.0 million, being partially netted off by (i) the repayment of bank borrowings of approximately HK\$35.6 million; (ii) the payment of dividends of approximately HK\$3.0 million and; (iii) the repayment to Directors of approximately HK\$2.5 million.

Our net cash used in financing activities was approximately HK\$2.7 million for FY2015, mainly due to (i) the repayment of bank borrowings of approximately HK\$13.1 million; and (ii) the payment of dividend of approximately HK\$3.0 million, being partially netted off by bank borrowings raised of approximately HK\$14.1 million raised for working capital purposes.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
Current assets				
Inventories	5,251	11,056	5,858	5,507
Trade and other receivables, prepayment and deposits	36,133	60,355	70,349	108,817
Amount due from a director	468	–	934	918
Tax recoverable	1,486	–	–	2,726
Bank balances and cash	<u>6,862</u>	<u>12,494</u>	<u>9,449</u>	<u>10,121</u>
	<u>50,200</u>	<u>83,905</u>	<u>86,590</u>	<u>128,089</u>
Current liabilities				
Trade and other payables and accruals	41,541	65,469	61,270	85,302
Amounts due to related parties	100	200	6,000	–
Amounts due to directors	1,950	3,480	–	–
Bank borrowings	3,017	8,121	6,738	30,004
Obligations under finance leases	222	339	296	201
Provisions	–	1,826	1,826	1,826
Tax liabilities	<u>–</u>	<u>869</u>	<u>2,111</u>	<u>–</u>
	<u>46,830</u>	<u>80,304</u>	<u>78,241</u>	<u>117,333</u>
Net current assets	<u><u>3,370</u></u>	<u><u>3,601</u></u>	<u><u>8,349</u></u>	<u><u>10,756</u></u>

FINANCIAL INFORMATION

Our net current assets slightly increased from approximately HK\$3.4 million as at 31 March 2015 to approximately HK\$3.6 million as at 31 March 2016 which was primarily due to the combined effects of (i) the increase in trade and other receivables, prepayments and deposits of approximately HK\$24.2 million; (ii) the increase in inventories of approximately HK\$5.8 million; and (iii) the increase in bank balances and cash of approximately HK\$5.6 million, being partially netted off by (i) the increase in trade and other payables and accruals of approximately HK\$23.9 million; (ii) the increase in bank borrowings of approximately HK\$5.1 million for working capital purposes; (iii) the increase in provisions of penalty charge of approximately HK\$1.8 million; and (iv) the increase in amounts due to Directors of approximately HK\$1.5 million.

Our net current assets further increased to approximately HK\$8.3 million as at 30 September 2016, which was primarily due to the combined effects of (i) the increase in trade and other receivables, prepayments and deposits of approximately HK\$10.0 million; (ii) the decrease in trade and other payables and accruals of approximately HK\$4.2 million; (iii) the decrease in amounts due to Director of approximately HK\$3.5 million; and (iv) the decrease in bank borrowings of approximately HK\$1.4 million, being partially netted off by (i) the increase in amounts due to related parties of approximately HK\$5.8 million; (ii) the decrease in inventories of approximately HK\$5.2 million; and (iii) the decrease in bank balances and cash of approximately HK\$3.0 million.

Our net current assets record a further increase of approximately HK\$2.4 million to approximately HK\$10.8 million as at 31 January 2017, which was primarily due to the combined effects of (i) the increase in trade and other payables and accruals of approximately HK\$24.0 million; and (ii) the increase in bank borrowings of approximately HK\$23.3 million, being partially netted off by (i) the increase in trade and other receivables, prepayment and deposits of approximately HK\$38.5 million; and (ii) the increase in tax recoverables of approximately HK\$2.7 million.

For details of the reasons for the abovementioned changes please refer to the paragraph headed “Discussion of Certain Key Balance Sheet Items” below in this section.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Derivative financial instruments

As at 31 March 2015, 31 March 2016 and 30 September 2016, our derivative financial instrument were recorded as non-current liabilities of nil, approximately HK\$0.3 million and HK\$0.2 million, respectively. Derivative financial instruments represent foreign currency forward contracts used to reduce the foreign exchange exposure in our Group’s regular course of business.

FINANCIAL INFORMATION

Given the favourable terms offered under a foreign currency contract, we consider this as a low risk investment to utilise our idle cash to realise gain from the fluctuation in the exchange currency rate of US\$ to HK\$. Hence we have entered into a HK\$/US\$ net-settled structured foreign currency forward contract with a commercial bank in Hong Kong where the bank may terminate the contract at its sole discretion after 30 September 2016. For 1H2017, we recorded a total gain of approximately HK\$58,000 from such contract.

Under the HK\$/US\$ not-settled structured foreign currency forward contract, we are required to transact with the banks monthly during the respective contractual periods where we would certain amount of HK\$ in exchange for the bank notionally paying a corresponding amount of US\$ under a predefined exchange rate. The difference between the amount notionally payable by us and by the bank would subsequently be settled in HK\$ by us or by the bank (as the case may be). The notional transaction amount on each settlement date may vary between US\$250,000 and US\$500,000, depending on the spot rate for conversion of US\$ for HK\$ at the time. 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, our Group will buy US\$250,000 from the bank at 7.7200. If the Spot Rate on determination date is lower than 7.7200, our Group will buy US\$500,000 from the bank at 7.7200. The contract is measured at fair value at each financial position date which determined based on the valuation carried out by the bank.

As at the Latest Practicable Date, the HK\$/US\$ net-settled structured foreign currency forward contract was not expired or terminated and the expected contract maturity date is 29 March 2018 (subject to the bank’s right to early terminate after 30 September 2016) and we did not have plans to enter into any other foreign currency forward contracts.

FINANCIAL INFORMATION

Policies in relation to investment activities

During the Track Record Period, our Group did not have a formal investment policy and our Group's investment activities were approved by Mr. Raymond Liu. Our investment principle and strategy are to utilise idle cash to earn returns with low risk. Going forward, our Directors intend to periodically review our risks exposed to our investment activities and will consider entering into other investment activities to utilise idle cash. Our investment decisions depends on, among other things, the level of our idle cash, the market sentiment and the availability of investment opportunities, and subject to the internal control measures, including, among others, (i) relevant policies and procedures have been approved and adopted by the management of our Group; (ii) periodic review of the policies and procedures will be performed to ensure that the written policies and procedures matched with our current practice; and (iii) investment activities with amounts over HK\$1.0 million shall be approved by the Board in the future.

Inventories

Our inventories primarily comprised of the hardware component of the IT Security Products and demonstration equipment which are available for sale.

We recorded inventory of approximately HK\$5.3 million, HK\$11.1 million and HK\$5.9 million as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively. We generally place orders with our vendors upon receiving confirmation of orders from our customers to reduce our risk exposure to obsolete or slow-moving stock. We normally deliver the hardware components of IT Security Products to our customers within a short period of time after checking the content of the delivery. We also keep inventories as demonstration equipment for our pitching activities to provide demonstrations to our customers and as spare units for prompt replacement for various models of our IT Security Products for our maintenance and support services.

The following table sets forth our average inventory turnover days for the years/periods indicated:

	FY2015	FY2016	1H2017
Average inventory turnover days (<i>Note</i>)	19	24	21

Note: Average inventory turnover days is calculated as the average of the beginning and ending of inventory balance for the respective year/period divided by cost of sales for the respective year/period and multiplied by 365/366/183 days for the respective year/period.

Our average inventory turnover days were approximately 19 days, 24 days and 21 days for FY2015, FY2016 and 1H2017, respectively. The higher average inventory turnover days for FY2016 was mainly due to we recorded purchase orders of approximately HK\$6.2 million in March 2016 which were subsequently delivered to our customers in April 2016.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately HK\$1.0 million, or 16.7%, of our inventories as at 30 September 2016 were subsequently sold or utilised. Such low subsequent usage was mainly due to approximately 57.0%, 42.8% and 84.3% of our total inventories as at 31 March 2015, 31 March 2016 and 30 September 2016 was demonstration equipment held for pitching activities was demonstration equipments held for pitching activities and spare units for prompt replacement of various models of our IT Security Products for our maintenance and support services purposes. For illustrative purposes, excluding the demonstration equipment and the spare units as mentioned above, the subsequent usage of our Group's inventory should be approximately 99.3% and the average inventory turnover days were approximately 10 days, 12 days and 20 days.

Trade and other receivables, prepayments and deposits

Trade receivables

Our trade receivables primarily consisted of trade balances due from our customers in respect of our IT Security Products and IT Security Services businesses.

The following table sets forth the aging analysis of our trade receivables (net of allowance for doubtful debts) based on invoice date as at the dates indicated:

	As at 31 March		As at 30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	13,471	24,036	18,374
31 to 60 days	4,215	6,719	11,843
61 to 90 days	2,060	2,156	5,784
91 to 120 days	–	864	106
121 to 365 days	1,608	3,750	4,000
Over 365 days	<u>25</u>	<u>–</u>	<u>510</u>
Total	<u>21,379</u>	<u>37,525</u>	<u>40,617</u>

Our trade receivables increased by approximately HK\$16.1 million, or 75.2%, from approximately HK\$21.4 million as at 31 March 2015 to approximately HK\$37.5 million as at 31 March 2016 and further increased to approximately HK\$40.6 million as at 30 September 2016. Such increase was mainly due to our business expansion reflected in the increase in revenue during the period.

FINANCIAL INFORMATION

The following table sets forth the aging analysis of our trade receivables (based on the invoice dates) which are past due but not impaired as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue 0 to 30 days	5,466	3,600	15,635
Overdue 31 to 60 days	1,186	1,194	1,729
Overdue 61 to 90 days	20	1,025	526
Overdue 91 to 120 days	1,585	–	63
Overdue 121 to 180 days	23	64	1,155
Overdue over 180 days	<u>25</u>	<u>3,686</u>	<u>895</u>
Total	<u>8,305</u>	<u>9,569</u>	<u>20,003</u>

As at 31 March 2015, 31 March 2016 and 30 September 2016, approximately HK\$8.3 million, HK\$9.6 million and HK\$20.0 million of our trade receivables were past due but not impaired, respectively. Our Directors further confirm that we did not charge any interest on, or hold any collaterals as security over these trade receivables balances.

We generally grant a credit period of 30 to 60 days to our customers upon issuance of our invoices. Our management monitors the recoverability of overdue trade receivables and the need and amount of the impairment is based on the credit history of our customers, the financial condition of our customers and the current market condition. We review the recoverable amount of each individual trade receivable balance at the end of each reporting period and when there is objective evidence that we may not be able to collect any overdue trade receivables, we make provisions for impairment for these trade receivables and ensure adequate impairment losses are provided for irrecoverable amounts. We recorded a provision for impairment of trade receivables of approximately HK\$0.3 million and HK\$0.1 million for FY2016 and 1H2017, respectively, which was the then total outstanding trade receivables balances from two customers in respect of the IT Security Products as our Directors consider that such amount was unlikely to be recovered due to the then financial conditions of such customers. Save for the provision for impairment made for the trade receivables for FY2016 and 1H2017 as mentioned above, our Directors are of the view that the trade receivables which were past due but not impaired were related to customers for whom there is no significant financial difficulty and based on our experience, no impairment allowance was necessary in respect of these overdue balances as given that the management are of the view that there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable based on historical experience.

As at the Latest Practicable Date, approximately HK\$40.0 million, or 98.4%, of our trade receivables as at 30 September 2016 was subsequently settled.

FINANCIAL INFORMATION

The following table sets forth our average trade receivables turnover days for the years/periods indicated:

	FY2015	FY2016	1H2017
Average trade receivables turnover days			
<i>(Note)</i>	55	61	70

Note: Average trade receivables turnover days is calculated as the average of the beginning and ending of trade receivables balance for the respective year/period divided by revenue for the respective year/period and multiplied by 365/366/183 days for the respective year/period.

Our average trade receivables turnover days were approximately 55 days, 61 days and 70 days for FY2015, FY2016 and 1H2017, respectively. Such increase was mainly due to the increase in our average trade receivables balance as at the respective dates resulted from the higher closing balances, which was in line with our revenue growth and business expansion during the period. The higher average trade receivables turnover days for 1H2017 were mainly due to (i) approximately HK\$2.0 million of the trade receivables aged between 121 days to 365 days were due from a customer with credit period of 180 days. Such favourable credit term was one-off in nature and was offered to such customer after taken into account (i) the overall transaction amount of the project; and (ii) our Directors' intention to reduce the risk exposure to obsolete or slow-moving stocks as such batch of products of approximately HK\$3.3 million sold to such customer were initially procured from Vendor A specifically for an end-user referred by Vendor A in January 2015 but Vendor A then failed to secure the end user as agreed, details of which please refer to the paragraph headed "Business – Suppliers – Major Suppliers" of this prospectus; (ii) longer settlement time for our customers primarily resulted from their lengthy internal procedures before proceeding to settlement; and (iii) higher sales recognised for the three months ended 30 September 2016 leading to an increase in the overall trade receivables balance as at 30 September 2016.

Other receivables, prepayments and deposits

Our other receivables, prepayments and deposits mainly comprised of the prepayment to suppliers for maintenance and support services, deposits for life insurance contracts for our Directors and senior staff rental deposits, prepayment of life insurance charged, deferred Listing expenses, prepayment and others.

FINANCIAL INFORMATION

The following table sets forth the breakdown of the other receivables, prepayments and deposits as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
			<i>HK\$'000</i>
Rental deposits	536	543	1,894
Prepayment to suppliers for maintenance and support services	21,178	29,727	35,245
Deposits for life insurance contracts	2,753	11,862	11,994
Prepayment of life insurance charged	95	620	600
Deferred and prepaid Listing expenses	–	–	3,879
Prepayment and others	<u>1,457</u>	<u>597</u>	<u>2,565</u>
	<u><u>26,019</u></u>	<u><u>43,349</u></u>	<u><u>56,177</u></u>
 <i>Analysed as:</i>			
Current	14,754	22,830	29,732
Non-current	<u>11,265</u>	<u>20,519</u>	<u>26,445</u>
	<u><u>26,019</u></u>	<u><u>43,349</u></u>	<u><u>56,177</u></u>

Our total other receivables, prepayments and deposits were approximately HK\$26.0 million, HK\$43.3 million and HK\$56.2 million as at 31 March 2015, 31 March 2016 and 30 September 2016, with approximately 81.4%, 68.6% and 62.7% were attributable to the prepayment to suppliers for maintenance and support services as at the respective dates. Such increase was mainly due to (i) the increase in prepayment to suppliers maintenance and support services of approximately HK\$8.5 million and HK\$5.5 million for FY2016 and 1H2017, respectively, which was in line with our increase in revenue generated from our IT Security Services business; (ii) the recognition of deferred and prepaid Listing expenses of approximately HK\$3.9 million as at 30 September 2016; and (iii) the increase in deposits for life insurance of approximately HK\$9.1 million for FY2016 which was primarily due to our Group's entering into another life insurance contracts with a total insured sum of approximately US\$4.5 million (equivalent to approximately HK\$34.9 million) and paid a gross payment of US\$1.2 million (equivalent to approximately HK\$9.4 million) during FY2016.

FINANCIAL INFORMATION

Deposits for life insurance contracts

Prior to the Track Record Period, our Group entered into two life insurance contracts with an insurance company in Hong Kong to insure Mr. Raymond Liu and Mr. Ashley Lo, our executive Directors. Under these policies, the beneficiary and policy holder are Edvance Technology (HK) and the total insured sum were approximately US\$1.5 million (equivalent to approximately HK\$11.6 million). Edvance Technology (HK) paid a gross payment of approximately US\$329,000 (equivalent to approximately HK\$2.6 million), including a premium charge at inception of the policies amounting to approximately US\$18,000 (equivalent to approximately HK\$153,000).

For FY2016, our Group entered into six other life insurance contracts with an insurance company in Hong Kong to insure certain other Directors and our staffs. Under these policies, the beneficiary and policy holder are Edvance Technology (HK) and the total insured sum of approximately US\$4.5 million (equivalent to approximately HK\$34.9 million), Edvance Technology (HK) paid a gross payment of approximately US\$1.2 million (equivalent to approximately HK\$9.4 million), including a premium charge at inception of the policies amounting to approximately US\$72,000 (equivalent to approximately HK\$0.6 million).

Under these eight life insurance contracts (the “**Life Insurance Contracts**”), the insurance company would pay our Group a guaranteed interest rate for a prescribed period from the commencement of the contracts and a variable interest rate, subject to a guaranteed minimum interest rate, thereafter during the effective period of the policies. In addition, our Group may request a partial surrender or full surrender at any time and receive cash back based on the account value of these Life Insurance Contracts (“**Account Value**”) at the date of withdrawal, which is determined by the gross payment paid plus accumulated interest earned and minus any previously paid partial surrender and other relevant deductions. If withdrawal is made between the 1st to 15th or the 1st to 18th policy year, depending on the respective Life Insurance Contracts, there is a specified surrender charge deducted from Account Value before payment is made by the insurance company to our Group.

As at 31 March 2015, 2016 and 30 September 2016, deposits for life insurance payment, which represents the then Account Value, amounted to approximately HK\$2.8 million, HK\$11.9 million and HK\$12.0 million, respectively. For further details in relation of the Life Insurance Contracts, please refer to Note 15 of the Accountants’ Report in Appendix I to this prospectus.

Through entering into the Life Insurance Contracts, our Directors intended to (i) insure our Group against the impact of death of certain key personnel of our Group; and (ii) provide necessary liquidity to our Group through using the Life Insurance Contracts as collaterals for bank borrowings, details of which please refer to the paragraph headed “Indebtedness – Bank Borrowings” of this section below. As at the Latest Practicable Date, our Directors have no intention to purchase such life insurance contracts in the future.

FINANCIAL INFORMATION

Trade and other payables and accruals

Trade payables

Our trade payables primarily consisted of trade balances due to our vendors in respect of our IT Security Products and IT Security Services businesses.

The following table sets forth the aging analysis of the trade payables (based on invoice dates) as at the dates indicated:

	As at 31 March		As at
	2015	2016	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
0 to 30 days	7,104	19,242	9,048
31 to 60 days	1,627	338	2,388
61 to 90 days	1,065	–	549
91 to 120 days	–	416	168
121 to 365 days	47	5,095	1,280
Over 365 days	594	811	4,984
	<u>10,437</u>	<u>25,902</u>	<u>18,417</u>
Total	<u>10,437</u>	<u>25,902</u>	<u>18,417</u>

Our vendors generally grant us a credit period of 30 to 60 days upon issuance of invoices. Our trade payables increased by approximately HK\$15.5 million, or 149.0%, from approximately HK\$10.4 million as at 31 March 2015 to approximately HK\$25.9 million as at 31 March 2016. Such increase was mainly due to (i) the business expansion correspond with the increase in revenue recognised during the year; and (ii) approximately HK\$5.1 million of the trade payables aged between 121 days to 365 days as at 31 March 2016 were mainly trade payables of Vendor A, which remained unsettled as at the Latest Practicable Date, primarily due to our disagreements on the settlement arrangements in respect of our purchase of the IT Security Products and pending further negotiation with such vendor before proceeding to settlement. We recorded a decrease in trade payables of approximately HK\$7.5 million as at 30 September 2016, which was primarily due to our Group's intention to adopt better control measures to ensure that all trade payables will be settled within the credit period.

As at the Latest Practicable Date, approximately HK\$13.5 million, or 72.5%, of our trade payables as at 30 September 2016 was subsequently settled. Save for the trade payables of Vendor A of approximately HK\$5.0 million as at 30 September 2016 which remained unsettled as at the Latest Practicable Date as mentioned above, the subsequent settlement of trade payables should be 100%.

FINANCIAL INFORMATION

The following table sets forth our average trade payables turnover days for the years/periods indicated:

	FY2015	FY2016	1H2017
Average trade payables turnover days (<i>Note</i>)	35	54	54

Note: Average trade payables turnover days is calculated as the average of the beginning and ending of trade payable balance for the respective year/period divided by cost of sales for the respective year/period and multiplied by 365/366/183 days for the respective year/period.

Our average trade payables turnover days were approximately 35 days, 54 days and 54 days for FY2015, FY2016 and 1H2017, respectively, which fall within our average credit period of 30 to 60 days granted by our vendors. The higher average trade payables turnover days for FY2016 and 1H2017 are mainly due to (i) the total trade payables balances of approximately HK\$5.0 million and HK\$5.0 million as at 31 March 2016 and as at 30 September 2016 were from Vendor A, respectively, the reason of which is set out in the paragraph headed “Trade Payables” above in this section; and (ii) the increase in our average trade payables balance as at the respective dates resulted from the higher closing balances, which was in line with our business expansion corresponds with the increase in cost of sales during the period.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 March 2015 HK\$'000	2016 HK\$'000	As at 30 September 2016 HK\$'000
Accrued expense	4,834	3,526	2,016
Deferred revenue	41,716	49,015	59,770
Others	201	419	587
	46,751	52,960	62,373
 <i>Analysed as:</i>			
Current	31,104	39,567	42,853
Non-current	15,647	13,393	19,520
	46,751	52,960	62,373

FINANCIAL INFORMATION

Other payables and accruals were approximately HK\$46.8 million, HK\$53.0 million and HK\$62.4 million as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively, with approximately 89.2%, 92.6% and 95.8% were attributable to the deferred revenue as at the respective dates. Such increase was mainly due to the increase in deferred revenue of approximately HK\$7.3 million for FY2016 and approximately HK\$10.8 million for 1H2017, which was in line with our increase in revenue derived from our maintenance and support services under the IT Security Services segment, of which such deferred revenue is recognised as revenue over straight-line method over the terms of the respective contracts.

Provision for penalty charges

For FY2016, our Group has distributed certain IT Securities Products with sales of approximately HK\$668,000 and resulted gross profit of HK\$456,000 without obtaining the relevant sales licenses in the PRC as well as containing commercial encryption features which are prohibited to be sold in the PRC. Hence our Group has made a provision for the penalty charges of approximately HK\$1.8 million for the same year in this regard. For further details, please refer to note 26 of the Accountants' Report in Appendix I of this prospectus.

INDEBTEDNESS

The following table sets out a breakdown of our indebtedness as at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017, being the latest practicable date for the purpose of this indebtedness in this prospectus:

	As at 31 March		As at 30 September	As at 31 January
	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Amounts due to a related party (<i>Note</i>)	–	–	6,000	–
Amounts due to directors	1,950	3,480	–	–
Bank borrowings	3,017	8,121	6,738	30,004
Obligations under finance leases	<u>611</u>	<u>501</u>	<u>323</u>	<u>201</u>
Total	<u>5,578</u>	<u>12,102</u>	<u>13,061</u>	<u>30,205</u>

Note: The amounts represent the loan from Success Vision. Amounts due to Xceed are trade in nature and thus are excluded from the indebtedness.

FINANCIAL INFORMATION

Bank borrowings

As at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017, our Group had outstanding bank borrowings of approximately HK\$3.0 million, HK\$8.1 million, HK\$6.7 million and HK\$30.2 million, respectively with nil, approximately HK\$6.4 million, HK\$5.9 million and HK\$5.6 million were denominated in US\$. As at 31 March 2015, 31 March 2016 and 30 September 2016, the contractual interest rates of our bank borrowings floating from HK\$/US\$ Best Lending Rate plus 0.5% to 1.0% per annum, with the range of effective interest rates per annum were 5.5% to 6.0% for FY2015, 4.0% to 6.0% for FY2016 and 4.0% to 6.0% for 1H2017.

Our bank borrowings were secured by (i) the life insurance policies for our Directors and senior staff as at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017; (ii) personal guarantees provided by Mr. Raymond Liu and Mr. Ashley Lo as at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017; (iii) account receivables of approximately HK\$15.6 million as at 31 January 2017; and/or (iv) guarantee by the Hong Kong Mortgage Corporation Limited up to HK\$1.5 million as at 31 March 2015. We have obtained written confirmations from the relevant financial institution confirming that the aforementioned personal guarantees will be released and replaced by the corporate guarantees provided by our Company upon Listing.

Subsequent to the Track Record Period, our Group has obtained two banking facilities of an aggregate amount of approximately HK\$17.2 million, which were then fully utilised as at the Latest Practicable Date for replenishing our working capital previously used for settling our Listing expenses and payment of taxes. The bank borrowing of HK\$12.0 million was secured by the life insurance policies for our Directors and senior staff.

Taking into account our financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant loan agreements.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that (i) the bank borrowings are subject to the standard banking conditions and covenants that are commonly found in lending arrangements with commercial banks; (ii) there were no breach of any covenants under our banking facility letters; and (iii) our Group did not experience any material delay or default in payment of bank borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us.

Save as the indebtedness disclosed above, as at the Latest Practicable Date, our Directors confirm that our Group had no material external debt financing plan.

Obligations under finance leases

As at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017, our Group has secured and unguaranteed obligations under finance leases of approximately HK\$0.5 million, HK\$0.5 million, HK\$0.3 million and HK\$0.2 million, respectively, which are secured by motor vehicles of our Group. The terms of our motor vehicles under finance lease were ranged from 2 to 5 years, with the average effective interest rates of approximately 3.86%, 5.02% and 5.02% per annum for FY2015, FY2016 and 1H2017, respectively.

FINANCIAL INFORMATION

The table below sets forth our obligations under finance leases as at the dates indicated:

	As at 31 March		As at	As at
	2015	2016	30 September 2016	31 January 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Amounts payable under finance leases:				
Within one year	273	350	304	204
In more than one year but not more than two years	201	151	19	–
In more than two years but not more than five years	<u>137</u>	<u>–</u>	<u>–</u>	<u>–</u>
	611	501	323	204
Less: Future finance charges	<u>(64)</u>	<u>(16)</u>	<u>(8)</u>	<u>(3)</u>
Total	<u>547</u>	<u>485</u>	<u>315</u>	<u>201</u>

Amounts due (from) to Directors and related parties

The table below sets forth our amounts due (from) to Directors and related parties as at the dates indicated:

	As at 31 March		As at	As at
	2015	2016	30 September 2016	31 January 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Directors				
Mr. Raymond Liu	(468)	530	(934)	(918)
Mr. Ashley Lo	1,950	2,950	–	–
Related parties				
Xceed	100	200	–	–
Success Vision	<u>–</u>	<u>–</u>	<u>6,000</u>	<u>–</u>
Total	<u>1,582</u>	<u>3,680</u>	<u>5,066</u>	<u>(918)</u>

FINANCIAL INFORMATION

As at 31 March 2015, 31 March 2016, 30 September 2016 and 31 January 2017, the aggregate amounts due to Directors and related parties were approximately HK\$1.6 million, HK\$3.7 million and HK\$5.1 million, respectively and aggregate amounts due from Directors and related parties of approximately HK\$918,000, which primarily consist of (i) the amounts due to Mr. Ashley Lo of approximately HK\$2.0 million and HK\$3.0 million as at 31 March 2015 and 31 March 2016; (ii) the amounts due to Xceed of approximately HK\$0.1 million and HK\$0.2 million as at 31 March 2015 and 31 March 2016 in respect of its service fees for the provision of project management services, which has been discontinued since 1 April 2016; (iii) the amounts due to Success Vision of approximately HK\$6.0 million as at 30 September 2016, which was mainly for the payment of the partial renovation costs incurred for the Hong Kong headquarters; and (iv) the amounts due from Mr. Raymond Liu of approximately HK\$918,000.

As at the Latest Practicable Date, all balances due to the Directors and related parties as at 30 September 2016 have been fully settled.

Contingent Liabilities

As at 31 January 2017, being the latest practicable date for the purpose of this indebtedness statement, our Group did not have any material contingent liabilities or guarantees.

As at the Latest Practicable Date, no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group. Accordingly, no provision for the contingent liabilities in respect of litigation is necessary.

Save as those disclosed above and apart from intra-group liabilities, we had not been granted any borrowings and did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURE

Capital expenditure during the Track Record Period

Our capital expenditures amounted to approximately HK\$1.5 million, HK\$0.6 million and HK\$0.2 million for FY2015, FY2016 and 1H2017, respectively, comprising recognition of leasehold improvements, payment for the purchase of furniture, fixtures and office equipment as well as motor vehicles.

FINANCIAL INFORMATION

Planned capital expenditure

For the two years ending 31 March 2017 and 2018, we estimate that our capital expenditure will amount to approximately HK\$9.4 million and HK\$7.4 million, respectively, which are primarily used for the renovation for our Hong Kong headquarters and the expansion of our existing operation in Singapore as our Service Hub with the additions of fixtures, furniture and office equipment to support our business expansion. Our Group's planned capital expenditure is subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. For details, please refer to paragraph headed "Business – Business Strategies" and the section headed "Business Objectives and Future Plans" in this prospectus.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

As at 31 March 2015, 31 March 2016 and 30 September 2016, we did not have any capital commitments.

Operating lease commitments

As at 31 March 2015, 31 March 2016 and 30 September 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	2,273	2,500	6,347
After one year but within five years	<u>1,703</u>	<u>912</u>	<u>8,880</u>
Total	<u>3,976</u>	<u>3,412</u>	<u>15,227</u>

During the Track Record Period, our Group leased a director's quarter from a related company which is 99.99% owned by the spouse of Mr. Ashely Lo and office premises from third parties under operating leases arrangements. Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years during the Track Record Period. In June 2016, our Group entered into a new lease agreement for our new Hong Kong headquarters with a fixed term of 3 years for a period commencing from 1 August 2016 and ending 31 July 2019.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, after taking into account the financial resources available to our Group, including the bank balances and cash, banking facilities, cash flows generated from our operating activities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

SELECTED FINANCIAL RATIOS DISCUSSION

The following table sets out certain financial ratios of our Group as of the dates or for the years indicated:

	As at/ Year ended 31 March 2015	As at/ Year ended 31 March 2016	As at/ Period ended 30 September 2016
Net profit margin (<i>Note 1</i>)	4.6%	6.8%	3.4%
Return on equity (<i>Note 2</i>)	320.1%	118.3%	57.4%
Return on total assets (<i>Note 3</i>)	9.0%	11.3%	6.0%
Current ratio (<i>Note 4</i>)	1.1	1.0	1.1
Quick ratio (<i>Note 5</i>)	1.0	0.9	1.0
Gearing ratio (<i>Note 6</i>)	739.7%	101.8%	78.7%
Debt to equity ratio (<i>Note 7</i>)	Net cash	Net cash	21.7%
Interest coverage (<i>Note 8</i>)	26.6	27.5	26.8

Notes:

1. Net profit margin is calculated based on the profit attributable to owners of our Company for the year/period divided by the revenue for the respective year/period.
2. Return on equity is calculated based on the profit attributable to owners of our Company for the year/period (or annualised profit for six months ended 30 September 2016) divided by the equity attributable to owners of our Company as at the respective year/period end and multiplied by 100%. Return on equity for the six months ended 30 September 2016 was annualised for illustrative purpose.
3. Return on total assets is calculated based on the profit attributable to owners of our Company for the year/period (or annualised profit for six months ended 30 September 2016) divided by the total assets as at the respective year/period end and multiplied by 100%. Return on total assets for the six months ended 30 September 2016 was annualised for illustrative purpose.
4. Current ratio is calculated based on the total current assets as at the respective year/period end divided by total current liabilities as at the respective year/period end .
5. Quick ratio is calculated based on the total current assets minus inventories as at the respective year/period end divided by total current liabilities as at the respective year/period end .

FINANCIAL INFORMATION

6. Gearing ratio 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 obligations under finance leases) as at the respective year/period end divided by total equity as at the respective year/period end and multiplied by 100%.
7. Debt to equity ratio 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 obligations under finance leases) as at the respective year/period end minus cash and cash equivalents as at the respective year/period end divided by total equity as at the respective year/period end and multiplied by 100%.
8. Interest coverage ratio is calculated based on the profit before interest and tax for the respective year/period divided by interest paid for the respective year/period.

Net profit margin

Please refer to the paragraph headed “Period to Period Comparison of Results of our Operations” above for the discussion of our net profit margin for the respective years/periods.

Return on equity

Our return on equity decreased from approximately 320.1% for FY2015 to approximately 118.3% for FY2016, which was mainly due to the substantial increase in the equity attributable to owners of our Company from approximately HK\$1.8 million for FY2015 to HK\$10.1 million for FY2016. Such increase was primarily resulted from the profit attributable to owners of our Company of approximately HK\$12.0 million for FY2016, which was partially offset by the dividend paid attributable to owners of our Company of approximately HK\$2.5 million during the financial year.

Our return on equity further decreased to approximately 57.4% for 1H2017. Such decrease was primarily due to the decrease in the profit attributable to owners of our Company for 1H2017, which was mainly resulted from the recognition of non-recurring Listing expenses of approximately HK\$2.5 million.

Return on total assets

Our return on total assets increased from approximately 9.0% for FY2015 to approximately 11.3% for FY2016, mainly due to the increase in the profit attributable to owners of our Company of approximately HK\$6.3 million, which was partially offset by the increase in our total assets of approximately HK\$42.7 million.

Our return on total assets further decreased to approximately 6.0% for 1H2017, which was primarily resulted from (i) the decrease in the profit attributable to owners of our Company for 1H2017; and (ii) the increase in our total assets of approximately HK\$8.3 million.

FINANCIAL INFORMATION

Current ratio and quick ratio

Our current ratio remained stable at approximately 1.1 times, 1.0 times and 1.1 times as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively; and our quick ratio remained stable at approximately 1.0 times, 0.9 times and 1.0 times as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively.

Gearing ratio

Our gearing ratio was approximately 739.7% and 101.8% as at 31 March 2015 and 31 March 2016. Such decrease was mainly due to (i) the increase in total equity of approximately HK\$11.3 million primarily resulted from the profit for FY2016 of approximately HK\$14.7 million, being partially netted off by the increase in bank borrowings of approximately HK\$5.1 million.

Our gearing ratio further decreased to approximately 78.7% as at 30 September 2016. Such decrease was mainly due to (i) the decrease in bank borrowings of approximately HK\$1.4 million; and (ii) the increase in our total equity of approximately HK\$4.5 million.

Debt to equity ratio

As the bank and cash balances exceeded the aggregate balances of total debts, we recorded net cash positions as at 31 March 2015 and 31 March 2016. Our debt to equity ratio was approximately 21.7% as at 30 September 2016, which was mainly due to (i) the increase in total debt of approximately HK\$0.8 million primarily resulted from the increase in amounts due to related parties of approximately HK\$5.8 million; and (ii) the decrease in bank balances and cash of approximately HK\$3.0 million during the period.

Interest coverage

Our interest coverage was approximately 26.6 times and 27.5 times as at 31 March 2015 and 31 March 2016. Such increase was mainly due to the increase in our profit before interest and tax of approximately HK\$11.7 million, being partially offset by the increase in finance costs of approximately HK\$0.4 million in relation to the increased level of bank borrowings.

Our interest coverage decreased to approximately 26.8 times as at 30 September 2016. Such decrease was mainly due to the decrease in our profit before interest and tax primarily resulted from the recognition of non-recurring Listing expenses of approximately HK\$2.5 million during the period.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into the following transactions with our related parties:

Related party	Nature of transaction	Note	FY2015 HK\$'000	FY2016 HK\$'000	1H2016 HK\$'000 (unaudited)	1H2017 HK\$'000	Status as at the Latest Practicable Date
Xceed	Consultancy fee expenses	<i>(i)</i>	560	1,960	980	-	Discontinued
Xceed	Service income	<i>(ii)</i>	-	168	43	-	Discontinued
I Productions Limited ("IProductions")	Rental expenses	<i>(iii)</i>	420	420	210	-	Discontinued
Success Vision	Interest expenses	<i>(iv)</i>	-	-	-	88	Discontinued
CAL	Service fee expenses	<i>(v)</i>	-	-	-	156	Continuing

Notes:

- (i) Amounts represented the consultancy fee expenses in relation to the project management services provided by Xceed. Such consultancy fee was determined with reference to (i) the number of man days required for the project; and (ii) the location of the project.
- (ii) Amounts represented the service income in relation to the services provided to Xceed in respect of the training held at our seminar rooms. Such service income was determined with reference to (i) the costs incurred for the training, including the leasing of seminar rooms and provision of training by instructor; and (ii) the disbursements.
- (iii) Amounts represented the rental expenses in relation to the leasing of our director's quarter from IProductions. Such rental expenses were determined with reference to the prevailing market rental for similar properties in nearby locations.
- (iv) Amounts represented the interests paid to Success Vision at 5% per annum in relation to the loan provided to our Group which is repaid on 2 November 2016. Such interest expenses were determined with reference to the prevailing market interest rates of bank borrowings offered by commercial banks in Hong Kong.
- (v) Amounts represented the service fee expenses in relation to the cloud-based sharing platform and the multimedia content production services provided by CAL. The service fees in relation to the cloud-based training platform were determined with reference to the number of users per annum. The service fee in relation to the multimedia content production services were determined with reference to (a) the number of man days required for the production services; and (b) the volume of content design and editing. For details, please refer to the section headed "Continuing Connected Transaction" of this prospectus.

FINANCIAL INFORMATION

Our Directors confirm, and the Sole Sponsor concurs, that these transactions were conducted on normal commercial terms and the terms were no less favourable than terms available from the Independent Third Parties and are considered fair and reasonable and in the interests of our Shareholders as a whole. Based on the foregoing and the amounts of these related party transactions are immaterial as compared to the revenue generated by our Group, our Directors are of the view that the aforesaid related party transactions would not distort our financial results during the Track Record Period or make our historical results not reflective of our future performance. Our transaction with CAL will continue upon Listing as we have entered into a master service agreement with CAL to govern this transaction, and accordingly, it will constitute continuing connected transaction (as defined under the GEM Listing Rules). For details of the continuing connected transaction, please refer to the section headed “Continuing Connected Transaction” of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet arrangement or commitments.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any property, where details of our leased properties are set out in the section headed “Business – Properties” in this prospectus.

DIVIDEND

During the Track Record Period, Best Gear declared and paid dividends of HK\$3.0 million, HK\$3.0 million and nil, respectively, to its then shareholders. All such dividends had been fully settled and we financed the payment of such dividends by internal resources.

Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The ability of distribution, declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our Shareholders, and will be dependent upon our earnings, financial conditions, cash requirements and availability, future prospects, future balance of our Group’s retained earnings, contractual restrictions, applicable laws and provisions and other relevant factors deemed appropriate by our Directors. Our Group may not be able to distribute dividends if we record accumulated losses in the future. For further details, please refer to the paragraph headed “Financial Information – Dividend” in this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 7 July 2016. As at 30 September 2016, our Company had no distributable reserve available for distribution to our Shareholders.

FINANCIAL INFORMATION

FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Financial risk management

We are exposed to interest rate risk, credit risk, currency risk and liquidity risk in the normal course of business.

Interest rate risk

Our Group is exposed to fair value interest rate risk in relation to our Group's fixed-rate obligations under finance lease and interest-free amounts due to Directors and related parties. Our Group is also exposed to cash flow interest rate risk in relation to our Group's bank balances, deposits for life insurance contracts and variable-rate bank borrowings. Bank borrowings are concentrated on fluctuation on the bank's HK\$ and USD Best Lending Rate.

Our Group has not used any interest rate hedging policy to mitigate our exposure associated with interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For further details of quantitative analysis regarding interest rate sensitivity, please refer to Note 30 of the Accountants' Report in Appendix I to this prospectus.

Credit risk

As at 31 March 2015, 31 March 2016 and 30 September 2016, our Group's maximum exposure to credit risk which will cause a financial loss to our 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 statements of financial position.

In order to minimise the credit risk, the management of our 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, we review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

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

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

FINANCIAL INFORMATION

Currency risk

During the Track Record Period, most of our sales and purchases were transacted in HK\$ and US\$, which in turn exposes our Group to foreign currency risk. Certain monetary assets and liabilities of our Group are also denominated in foreign currencies.

During the Track Record Period, we have entered into a foreign exchange forward contract to mitigate foreign exchange exposure arising on the purchase from external parties.

For further details of quantitative information and the relevant sensitivity analysis, please refer to Note 30 of the Accountants' Report in Appendix I to this prospectus.

Liquidity risk

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

For further details of quantitative information and the liquidity table analysis, please refer to Note 30 of the Accountants' Report in Appendix I to this prospectus.

Capital risk management

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

The capital structure of our Group consists of bank borrowings, amounts due to related parties and amounts due to directors, obligations under finance leases and equity attributable to owners of our Company, comprising issued share capital and reserves.

Our Directors regularly review the capital structure of our Group. As part of this review, our Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of our Directors, we will balance our overall capital structure through new share issues and raise of new borrowings.

FINANCIAL INFORMATION

LISTING EXPENSES

The estimated total Listing expenses (based on the mid-point of our indicative Offer Price range and assuming the Offer Size Adjustment Option is not exercised) in relation to the Share Offer is approximately HK\$24.0 million, of which (i) approximately HK\$2.5 million was charged to our combined statements of profit or loss and other comprehensive income for 1H2017; (ii) approximately a further HK\$13.2 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2017; (iii) approximately HK\$1.0 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018; and (iv) approximately HK\$7.3 million was or will be charged against equity for the year ending 31 March 2018.

Our Directors would like to emphasise that the Listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audits and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2017 would be materially and adversely affected by the Listing expenses mentioned above.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed “Unaudited Pro Forma Financial Information” as set out in Appendix II to this prospectus for details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, save for the Listing expenses as disclosed in the above, since 30 September 2016 and up to the date of this prospectus, there had been no material adverse change in the trading and financial position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report as set out in Appendix I to the prospectus.

BUSINESS OBJECTIVES AND FUTURE PLANS

BUSINESS OBJECTIVES AND STRATEGIES

According to the F&S Report, the SFC announced in October 2016 the commencement of a cyber security review on internet/mobile trading system, which is expected to arouse abundant demand for the IT Security Solutions market in Hong Kong, especially the financial institutions including licensed corporations under the SFO which are subject to the relevant compliance requirement. We believe that this regulatory requirement can expand the end-user customer base for the IT Security Solutions market in Hong Kong, which will indirectly benefit our business operations in Hong Kong. Further, considering the number of our customers in Singapore has shown an increasing trend (i.e. 15, 54 and 45 customers in FY2015, FY2016 and 1H2017, respectively, among which 14, 43 and 27 are new customers for FY2015, FY2016 and 1H2017, respectively), we believe that it is also important for us to expand our operation in Singapore so as to capture such business opportunities.

Hence, it is our business objectives (i) to strengthen our leading position in the IT Security Solutions market in Hong Kong, and (ii) to actively explore the Singapore and its neighboring markets by expanding our existing operation in Singapore as our Service Hub to capture the overall growth and potential business opportunities in the IT Security Solutions market in the Asia Pacific region.

For our Group's business strategies, please refer to the paragraph headed "Business – Business Strategies" in this prospectus.

IMPLEMENTATION PLANS

Our Group will endeavor to achieve the following milestone events during the period from the Listing Date to 30 September 2019, and the respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Basis and Assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed "Risk Factors" of this prospectus. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frames below and that our Group's future plans will be accomplished at all.

BUSINESS OBJECTIVES AND FUTURE PLANS

	From the Listing Date to 30 September 2017 <i>(HK\$ million)</i>	Six months ending 31 March 2018 <i>(HK\$ million)</i>	Six months ending 30 September 2018 <i>(HK\$ million)</i>	Six months ending 31 March 2019 <i>(HK\$ million)</i>	Six months ending 30 September 2019 <i>(HK\$ million)</i>	Total <i>(HK\$ million)</i>	Approximate % of the net proceeds %
Expansion and renovation of our Hong Kong headquarters	3.2	–	–	–	–	3.2	5.7%
Establishment of the DRC	0.1	1.8	–	0.5	–	2.4	4.3%
Upgrading our management systems	1.7	–	1.0	–	1.0	3.7	6.6%
Upgrading our network infrastructure	–	0.6	–	0.6	–	1.2	2.3%
Expansion of operation in Singapore as our Service Hub and its renovation	–	–	22.5	–	–	22.5	40.2%
Investment in demonstration equipment	–	1.5	–	1.5	–	3.0	5.4%
Increasing our marketing efforts	0.2	0.2	0.2	0.3	0.3	1.2	2.1%
Expanding our workforce	0.1	2.8	2.8	5.5	5.5	16.7	29.7%
General working capital	0.5	0.4	0.4	0.4	0.4	2.1	3.7%
						<u>56.0</u>	<u>100.0%</u>

BUSINESS OBJECTIVES AND FUTURE PLANS

We intend to apply the aforesaid net proceeds in the following manner from the Listing Date to 30 September 2019:-

For the Listing Date to 30 September 2017

Business strategies	Implementation activities	Proceeds (HK\$ million)
Expansion and renovation of our Hong Kong headquarters	– Payment for renovation works for the new office premises with additional spaces for training and seminar rooms and warehouse	3.2
Establishment of the DRC	– Purchase relevant hardwares such as monitor	0.1
Upgrading our management systems	<ul style="list-style-type: none"> – Initiate the implementation of a ERP system to integrate and automate our internal business processes – Set up a new web portal to form a community for IT professionals – Initiate the implementation of a business analytics platform to analyse our business performance and management reporting 	1.7
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training, workshops, public relations event, sponsoring public events etc	0.2
Expanding our workforce	– Conduct training and workshops for our employees	0.1
General working capital		0.5

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 October 2017 to 31 March 2018

Business strategies	Implementation activities	Proceeds (HK\$ million)
Establishment of the DRC	– Purchase detection devices, logging devices and servers	1.8
Upgrading our network infrastructure	– Maintain and/or upgrade relevant hardware such as servers and system monitoring etc. to ensure the smooth operation of the Hong Kong headquarters	0.6
Investment in demonstration equipment	– Purchase additional demonstration equipment for our Group’s pitching activities	1.5
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc	0.2
Expanding our workforce	– Hire (i) one sales staff, two IT technical staff and one administrative staff in Hong Kong; and (ii) one sales staff, one technical staff and one administrative staff in Singapore	2.8
General working capital		0.4

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 April 2018 to 30 September 2018

Business strategies	Implementation activities	Proceeds (HK\$ million)
Upgrading our management systems	– Review and maintain the ERP system, web portal and business analytics platform	1.0
Expansion of operation in Singapore as our Service Hub and its renovation	– Deposit for the acquisition of new office premise for the Service Hub together with renovation of the same	22.5
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc	0.2
Expanding our workforce	– Hire one sales staff, one IT technical staff and one administrative staff in Hong Kong	2.8
General working capital		0.4

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 October 2018 to 31 March 2019

Business strategies	Implementation activities	Proceeds (HK\$ million)
Establish the DRC	– Maintain and/or upgrade detection devices, logging devices to support the smooth operation of the DRC	0.5
Upgrading our network infrastructure	– Maintain and/or upgrade relevant hardware such as servers and systems monitoring etc. to ensure the smooth operation of Hong Kong headquarters	0.6
Investment in demonstration equipment	– Purchase of demonstration equipment for our Group’s pitching activities	1.5
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc	0.3
Expanding our workforce	– Hire (i) two IT technical staff in Hong Kong; and (ii) one sales staff and two IT technical staff in Singapore	5.5
General working capital		0.4

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 April 2019 to 30 September 2019

Business strategies	Implementation activities	Proceeds (HK\$ million)
Upgrading our management systems	– Review and maintain the ERP system, web portal and business analytics platform	1.0
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc	0.3
Expanding our workforce	– Hire (i) two IT technical staff in Hong Kong; and (ii) one sales staff, one IT technical staff and one administrative staff in Singapore	5.5
General working capital		0.4

BUSINESS OBJECTIVES AND FUTURE PLANS

The possible use of the proceeds outlined above may change in light of our evolving business needs and conditions, management requirement together with prevailing market circumstances. In the event of any material modification to the use of the proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

Net proceeds from the Share Offer, after deducting underwriting commission and other expenses relating to the Listing payable by the Company and based on an Offer Price of HK\$0.32 (being the mid-point of the indicative Offer Price of HK\$0.30 to HK\$0.34 per Offer Share), is expected to be approximately HK\$56.0 million.

The total capital expenditure required for implementing the Group's plans is currently estimated to be approximately HK\$78.0 million, of which approximately HK\$33.1 million, or 42.4%, is expected to be financed by the net proceeds from the Share Offer and the remaining balance of approximately HK\$44.9 million, or 57.6%, is expected to be financed by the Group's internal resources, working capital, banking facilities and/or other financing, as and when appropriate.

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK\$0.34 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK\$9.7 million to approximately HK\$63.4 million. In such case, the Company intends to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.30 per Offer Share, the net proceeds of the Share Offer will decrease by approximately HK\$9.7 million to approximately HK\$53.7 million. Any shortfall in relation to the funding required for our implementation plan will be financed by the Group's internal resources, working capital, banking facilities and/or other financing, as and when appropriate.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts with licensed banks and/or authorised financial institutions in Hong Kong so long as it is in our interest.

Expansion and renovation of our Hong Kong headquarters

In order to cater for the business expansion, we have moved our headquarters in Hong Kong to a new office with a larger gross floor area of approximately 10,000 sq.ft in January 2017, which can accommodate (i) our DRC; (ii) a show room to demonstrate our new products to our potential customers; (iii) a training room for in-house and customers training; and (iv) more space for our increased workforce.

BUSINESS OBJECTIVES AND FUTURE PLANS

As at the Latest Practicable Date, our Company has incurred expenses for (1) the renovation of the new office for the Hong Kong headquarters of approximately HK\$3.2 million, leases of which was entered in June 2016, as well as (2) approximately HK\$1.0 million for upgrading our network infrastructure by purchasing relevant hardware such as servers and system monitoring devices etc., which were both financed by our Group's internal resources.

Notwithstanding our wish to acquire an office in Hong Kong instead of rental to mitigate risk of increase in rental expenses and early termination by landlord which could potentially disrupt our business operation, considering the volatile property market in Hong Kong these years and the previous transaction price of the new Hong Kong headquarters is over HK\$100 million, our Directors believe that continual rental of office in Hong Kong will be a more prudent approach.

Establishment of the DRC

The DRC aims to provide a platform which can (i) identify security risks in the IT environment of end-user customers and make recommendations to overcome them; (ii) discover IT Security threats and make recommendations to reduce the chances of end-users' IT environment being attacked; and (iii) respond to stabilise the end-users' IT environment in the event of a real attack.

The DRC will provide subscription-based services offering regular review of end-users' IT environment, security enhancement recommendations, timely update of emerging threats and response action recommendations.

To support the DRC's operation, technical devices will be used to analyse end-users' IT environment automatically and send alerts to the DRC when IT Security threats are detected. In response to a reported IT Security incident, we will offer remediation services to ensure the smooth operation of our customers' business.

In order to provide the said services, we plan to (i) utilise the IT Security Products carried by our Group; (ii) rely on the expertise and experience of our existing staff; and (iii) recruit specialised technical staff.

At the initial stage, we plan to target corporate end-users with sizeable operations in Hong Kong, which is consistent with our business strategy and historical focus. As we plan to use new IT Security Products which are equipped with advance threat detection techniques and are able to deal with emerging threats in providing the service, we believe that this subscription-based service will be attractive to customers who are looking for advance IT Security protection. Apart from additional revenue to be generated from this subscription-based service, we believe that the DRC will help us to demonstrate the value of our IT Security Products, which in turn may encourage our customers to procure new IT Security Products distributed by us in the long run.

BUSINESS OBJECTIVES AND FUTURE PLANS

Our Group expects to set up and commence the initial operation of the DRC by the six months ending March 2018. The DRC will be managed by our staff utilising our technical resources, consulting services resources and focusing on our existing portfolio of IT Security Products.

Upgrading our management systems

Implementation of ERP system

We intend to upgrade our management systems, i.e. a fully integrated ERP system including the function of front desk, operation, invoicing, purchasing, inventories, accounting, etc. The ERP system also provides a portal for communication with our business partners and will facilitate data management by combining our data currently stored at different systems into a centralised one which in turn would reduce the processing time and to provide more comprehensive analysis on our business operations. The upgraded ERP system can increase our capacity and improve our overall operational efficiency.

Provisionally, the upgrade of our management system is expected to commence in 2017 and to come in phases. The enhancements would allow our Group to better record business activities and for better optimisation of resources and assist us in making business decision.

Setting up of a new web portal

We also intend to revamp and upgrade our corporate web portal with the objective to form a community for IT professionals. The enhancements would provide:

1. portal support – to integrate with our internal process to allow users to track the status of reported support issues, providing timely updates and feedbacks to users. The support portal intends to increase services transparency to our customers and provide an overall better user experience.
2. information on the latest IT Security threats – to integrate with the DRC, providing information on the latest IT Security threats and resolutions available to resellers and end-users.
3. a discussion forum – to maintain an interactive online community for discussion of IT Security related topics and share best practices in relation to IT Security. This in turn will allow participants to share their insights on how the IT Security Products can address their IT Security concerns.
4. marketing events and information – to allow our customers to sign up for seminars, workshops or marketing events online.

BUSINESS OBJECTIVES AND FUTURE PLANS

We believe that by creating a community for IT professionals, we are in a better position to promote our IT Security Solutions.

Implementation of business analytics platform

This platform is a software which can consolidate and connect all our business and financial data in a secured environment and compile the same into useful statistics such as profit ratio by geographical region, customer profile analysis, sales ranking by customers etc, so our Directors can devise better business strategy and implementation plans.

Upgrading our network infrastructure

Our business performance relies heavily on a reliable and up-to-date network infrastructure. Since our business keeps expanding and our need for productivity and efficiency grows accordingly, our current network infrastructure is no longer be able to fully support our evolving demands. In order to catch up to latest technologies and satisfy the increasing needs of our customers, an optimised enterprise network is necessary to provide stable and reliable services to our customers.

We intend to purchase hardware and system monitoring devices with more advanced technologies and continuously maintain and/or upgrade our network infrastructure for our Hong Kong headquarters in the near future.

As at the Latest Practicable Date, our Company has incurred expense for system and network upgrade of approximately HK\$1.0 million, which was financed by our Group's internal resources.

Expansion of operation in Singapore as our Service Hub and its renovation

According to the F&S Report, with the execution of National Cyber Security Master Plan 2018 by the Singapore government coupled with its emphasis on IT Security, it is forecasted that there will be a positive growth of Singapore's IT Security Solutions market size from USD262.3 million in 2016 to USD652.8 million in 2020, showing a CAGR of 25.6%.

The size of our current operation in Singapore is relatively small compared to our operation in Hong Kong. We believe that as a value-added distributor, not only do we need to have a IT Security Products portfolio that could best fit the customers' requirements, but we also need to provide comprehensive IT Security Services. We therefore plan to expand our existing operation in Singapore as our Service Hub to capture the aforesaid growth of IT Security Solutions market and to strengthen our Group's overall presence and our ability to conduct business in Singapore.

At the initial stage, the Service Hub will strengthen our capability in providing technical implementation services and maintenance and support services to existing and potential customers in Singapore. At the later stage, we plan to extend the DRC infrastructure set up in Hong Kong to Singapore so that we can also provide subscription-based services by the DRC in Singapore. In order to expand our capability, we plan to:

- (i) increase our existing office size in Singapore with a new location by the six months ending 30 September 2018;

BUSINESS OBJECTIVES AND FUTURE PLANS

- (ii) increase our existing manpower to recruit additional sales, technical and administrative staff; and
- (iii) broaden our IT Security Products portfolio as well as the types of IT Security Services offered in Singapore.

In the long run, we plan to leverage on the strategic location of Singapore to expand our business to Singapore's neighboring countries. We plan to acquire an office property of about 5,000 sq. ft. for approximately HK\$60 million of which approximately HK\$20.0 million will be financed by the net proceeds from the Share Offer as down payment. We may also benefit from the potential fair value gains of this property. We further intend to apply approximately HK\$2.5 million of the net proceeds from the Share Offer for renovation of the new office. Please also refer to the paragraph headed "Business Objectives and Future Plans – Expanding our workforce" in this prospectus for details on our plan to recruit additional staff.

Our Directors consider that the acquisition of an office in Singapore will enable us to (i) establish our brand image and foothold in Singapore; (ii) reduce the risks associated with the leased property such as possible substantial increase in rental expenses, early termination or non-renewal of our leases by landlord; (iii) eliminate the costs, time and efforts associated with the possible relocation of the Service Hub; (iv) enhance our ability to secure bank loans which generally would require immovable assets, such as property, as collateral; and (v) provide our Group with greater flexibility for catering our intended expansion in the Asia Pacific region and ensure smooth and continual operation of our business. Considering the factors mentioned thereof, our Directors are of the view that it is necessary to have our self-owned office in Singapore.

Our Directors believe that this expansion would place our Group in the right position and timing to capture the growing IT Security Solutions market in Singapore in the coming years.

Increasing our marketing efforts

Our Group believes that diversifying and widening our customers base is essential for our revenue growth. Our Group already has an established corporate customers base particularly in Hong Kong. The Group would expand this by conducting sales and marketing activities, including co-hosting marketing activities such as seminars and workshops with our vendors.

Through these sales and marketing activities, we intend to create market awareness of the latest IT Security concerns and the new technologies carried by our Group and to follow up on events attendees for potential sales leads.

BUSINESS OBJECTIVES AND FUTURE PLANS

Expanding our workforce

We believe that our success depends upon our ability to hire experienced and well-trained staff. We offer internal training programs for our staff to learn, be updated on the technological changes and to enhance the service quality. Our staff also attend technical trainings provided by our vendors to familiarise themselves with the specification, features and technicality of the IT Security Products distributed by us.

Despite that the revenue growth of our Group during the Track Record Period was primarily attributable to (i) the introduction of new vendors and the enhanced market penetration of various IT Security Products, as discussed in the paragraph headed “Financial Information – Period to Period Comparison of Result of Our Operation” in this prospectus; (ii) the growing business opportunities in the IT Security Solutions market, as discussed in the section headed “Industry Overview” in this prospectus; and (iii) the competitive strengths of our Group, as discussed in the paragraph headed “Business – Competitive Strengths” in this prospectus, in order to support our future expansion plan and cope with the potential business opportunities arising from the growth prospects of the IT Security Solutions market and the proposed expansion plan of our Group by expanding our Hong Kong headquarters and expanding our existing operation in Singapore as our Service Hub, we intend to recruit an aggregate of additional 20 staff, with 11 of them in Hong Kong and 9 of them in Singapore by September 2019 with the objective to enhance the efficiency of our daily operations.

We believe that with the acquisition of the new office premise in Singapore as our Service Hub by September 2018 and recruitment of additional 9 staff in Singapore by September 2019, these commensurate with our business objective to expand our existing operation in Singapore. Further, the increase in number of staff and the relocation of our Singapore office to the better equipped Service Hub with larger office area can provide more resources to explore Singapore and its neighboring markets, so as to capture the overall growth and potential business opportunities of the IT Security Solutions market in Asia Pacific region.

BASIS AND ASSUMPTIONS

Potential investors should note that the attainability of the Group’s business objectives depends on a number of assumptions, in particular:-

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;

BUSINESS OBJECTIVES AND FUTURE PLANS

- there will be no change in the funding requirement for each of the implementation plans described under the paragraph headed “Implementation Plans” in this section from the amount as estimated by our Directors;
- there will be no material changes in the basis or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments; and
- our Group will be able to continue our operation in substantially the same manner as our Group had been operated during the Track Record Period and our Group will also be able to carry out our development plans without disruptions that could adversely affecting our operations or business objectives in any way.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The increase in our revenue during the Track Record Period was due to the expansion of our customer base resulting from continual marketing efforts and word-of-mouth references among customers regarding the quality of the IT Security Products provided and IT Security Services delivered. Our Directors believe that the increase in number of our employees in the future plan is commensurate with and also required by our business growth, in particular, more manpower is generally required as we expand our product offerings and at the same time have to maintain and enhance the quality of the services we deliver to our customers.

As our Group continues to capture the growth of the IT Security Solutions markets in the jurisdictions we operated in, our Directors are of the view that additional capital for, in particular, the establishment of our DRC, the maintenance and continual upgrade of network infrastructure and management systems, to keep up with the technological advancements and rising labor costs are essential. Our Directors consider that it is difficult for our Group to raise a significant amount of debt with competitive terms without a listing status considering that commercial banks would generally require personal guarantees from shareholders and fixed assets as collaterals which we do not have. Hence our Directors believe that the Listing is essential for the future development and expansion of our Group, enhance corporate profile and status, market visibility and credibility with the public and potential business partners, which in turn can boost the confidence of our existing and potential customers and vendors, thereby our Group can negotiate for better terms and conditions with the latter. In addition, our Directors are also of the view that the Listing and the Share Offer will provide our Company with additional channels to raise capitals for its future business expansion and long-term development, and expand and diversify our Company’s shareholders base, whilst the net proceeds from the Share Offer of approximately HK\$56.0 million will strengthen our Group’s overall financial position.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Cinda International Securities Limited
China Jianxin Financial Services Limited
Goldenway Investments (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of the Offer Size Adjustment Option) by the Listing Division and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters and the Sole Sponsor) shall have the absolute discretion upon giving reasonable notice to our Company to terminate the Public Offer Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Wednesday, 19 April 2017):

- (a) there has come to the notice of the Sole Sponsor the Sole Lead Manager or an Underwriters or the Sole Lead Manager or the Public Offer Underwriters have reasonable cause to believe:
 - (i) that any statement contained in this prospectus, any supplemental offering materials, press announcement, the formal notice to be issued on 31 March 2017 by the Company substantially in the agreed form pursuant to the GEM Listing Rules, the road show materials and any other document published or issued by or on behalf of the Company, the Sole Sponsor or the Sole Lead Manager for the purpose of or in connection with the Public Offer, considered by the Sole Sponsor and/or the Sole Lead Manager in its/their sole and absolute direction, was when the same was issued, or has become, untrue, incorrect or misleading in any respect; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and/or the Sole Lead Manager in its/their sole and absolute discretion to be material to the Public Offer; or
 - (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Sole Sponsor, the Sole Lead Manager and the Public Offer Underwriters) as determined by the Sole Sponsor and/or the Sole Lead Manager in its/their reasonable discretion; or
 - (iv) any material adverse change or development involving a prospective material change (whether or not permanent) in the conditions, business affairs, prospects or the financial or trading position of the Group; or
 - (v) any material breach of any of the warranties under the Public Offer Underwriting Agreement, as determined by the Sole Sponsor and/or the Sole Lead Manager in its/their reasonable direction; or
 - (vi) any of the warranties under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or repeated as determined by the Sole Sponsor and/or the Sole Lead Manager in its/their reasonable discretion.

UNDERWRITING

- (b) there shall develop, occur, exist, continue to exist or come into effect:
- (i) any event, or series of events, beyond the control of the Sole Sponsor and/or the Sole Lead Manager or the Public Offer Underwriters (including, without limitation, acts of government, strikes, lock outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change or any event or series of events currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in local, national, regional or international, financial, economic, currency, legal, exchange control, political, military, industrial, fiscal, regulatory or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, London Stock Exchange or any of the stock exchanges in the PRC, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or an interruption in securities settlement or clearance service or procedures in Hon Kong or anywhere in the world); or
 - (iii) any new publicly available laws, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority or any other any public, regulator, taxing, administrative or governmental, agency or authority, any self-regulatory organization or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions, including (without limitation) the PRC, Hong Kong, the Cayman Islands and the BVI (as the case may be) (“**Government Authority**”) and all relevant Code of Conduct, the CFA code, the SFC Guidelines for GEM, the Joint Statement regarding the price volatility of GEM stocks issued by the SFC and the Stock Exchange on 20 January 2017 and the GEM Listing Rules (the “**Relevant Laws**”) or policy or directive or change (whether or not forming part of a series of changes) or development in existing Relevant Laws or policy or directive or in the interpretation or application thereof by any court or Government Authority or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group; or

UNDERWRITING

- (iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, the United States or the European Union (or any member thereof) or any other country or organization on Hong Kong, the PRC, the United States or any other jurisdiction relevant to any member of the Group; or
- (v) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in Hong Kong, the PRC, the United States, or any other jurisdiction relevant to any member of the Group; or
- (vi) any change or development involving a prospective change, or a materialization of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (viii) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or other jurisdictions relevant to any member of the Group; or
- (xii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdiction relevant to the Company; or

UNDERWRITING

- (xiii) there is a change in the system under which the value of the HK\$ is linked to that of the US dollar or the peg of RMB to a basket of currencies including USD;
- (xiv) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the Company, any of the executive Directors and the Controlling Shareholders pursuant to the indemnity contained in the Public Offer Underwriting Agreement; or
- (xv) any concern by the Sole Sponsor or Sole Lead Manager concerning compliance with Relevant Law(s) with respect to any matters relating to the Public Offer, the Offer Shares, the Listing and/or any other related matters,

which in the reasonable opinion of the Sole Sponsor and/or the Sole Lead Manager (1) is or shall have or could be expected to have an adverse effect on the business, financials, trading or other condition or prospects of the Group; or (2) has or shall have or could be expected to have an adverse effect on the success, marketability or pricing or the Public Offer or the level of interest under the Public; or (3) is or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Public Offer to proceed or (ii) for any material part of the Public Offer Underwriting Agreement to be performed or implemented as envisaged or (4) having any compliance related concern in respect of the Public Offer, the Offer Shares, the Listing, and/or any other related matters, with consideration of Relevant Law(s).

Undertakings to the Stock Exchange under the GEM Listing Rules

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that save as pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option) and the grant and exercise of the options under the Share Option Scheme, we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which the Shares commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/it shall not and shall procure that the relevant registered holder(s) (if any) shall not, except pursuant to the Share Offer or the Capitalisation Issue or the Offer Size Adjustment Option:

- (i) save as provided in Rule 13.18 of the GEM Listing Rules, in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities; and
- (ii) save as provided in Rule 13.18 of the GEM Listing Rules, in the period of six months commencing from the expiry of the period referred to in paragraph (i) above (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company on a collective basis.

In addition, in accordance with Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/it will comply with the following requirements:

- (i) in the event that he/it pledges or charges any direct or indirect interest in the Relevant Securities in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period and the Second Six-Month Period, he/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares under (a) above, he/it must inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

UNDERWRITING

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters that our Company shall not, and each of our Controlling Shareholders have undertaken to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters to procure our Company shall not, without the prior written consents of the Sole Sponsor and the Sole Lead Manager (which consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the GEM Listing Rules, and except pursuant to the Share Offer, the Capitalisation Issue and the exercise of the options to be granted under the Share Option Scheme:–

- (a) during the First Six-Month Period:
 - (i) offer, allot or issue, or agree to offer, allot, issue (conditionally or unconditionally) any Shares or securities convertible into or exchangeable for equity securities of the Company (whether or not of a class already listed); or
 - (ii) grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Shares or other securities of the Company (whether or not of a class already listed); or
 - (iii) enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
 - (iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or securities convertible into or exchangeable for such Shares; or

UNDERWRITING

- (v) repurchase any Shares or securities of the Company; or
- (vi) offer to or agree to do any of the foregoing or announce any intention to do so;
- (b) during the Second Six-Month Period, do any of the acts set out in paragraphs (a) and (b) above such that any of our Controlling Shareholders (together with any of his/its associates) either individually or collectively would cease to be controlling shareholders of our Company (within the meaning defined in the GEM Listing Rules); and
- (c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Public Offer Underwriters and our Company that without the prior written consent of each of the Company, the Sole Sponsor and the Sole Bookrunner and the Sole Lead Manager, he/it shall not directly or indirectly and shall procure that none of his/its associates or the companies controlled by him/it or any nominee or trustee holding in trust for him/it shall during the First Six-Month Period:

- (a) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or encumbrances (including the creation or entry into of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such shares therein owned by him/it or any of his/its associates or in which he/it or any of his/its associates is, directly or indirectly, interested immediately after the completion of the Capitalisation Issue, the Share Offer and the issuance and allotment of any other Shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities; or

UNDERWRITING

- (b) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any shares or interest in any company controlled by him/it or any of his/its associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as referred to in paragraph (a) above (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or
- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Each of our Controlling Shareholders has undertaken to and covenanted with the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Public Offer Underwriters and the Company that, save with the prior consent of the Company, the Sole Sponsor and the Sole Bookrunner and the Sole Lead Manager, during the Second Six-Month Period, he/it shall not and shall procure that none of his/its associates or the companies controlled by him/it shall or any nominee or trustee holding in trust for him/it shall: -

- (a) sell, transfer, dispose of, offer to sell, transfer or disposal of nor enter into any agreement to sell, transfer or dispose of or create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) on any shares in any company controlled by him/it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, our Controlling Shareholders (together with his/its associates) would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30%, or such lower amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer, in the Company;

UNDERWRITING

- (b) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (a) above announce any intention to enter into or effect any of the transactions referred to in paragraph (a) above.

In the event of a disposal by him/it of any of the Shares or securities or any interest therein during the Second Six-Month Period, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

Voluntary lock-up undertaking by our Controlling Shareholders

Apart from satisfying the lock-up requirements under the GEM Listing Rules, each of our Controlling Shareholders has voluntarily undertaken to our Company that, except pursuant to the Share Offer, the Capitalisation Issue and the exercise of the options that may be granted under the Share Option Scheme, it or he shall not, at any time during the six months from the expiry of the Second Six-Month Period lock-up under the GEM Listing Rules, dispose of any of the Relevant Securities, if immediately following such disposal they would cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company on a collective basis. Such voluntary lock-up undertaking is irrevocable and may not be waived by the Company.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated; and (iii) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriters have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the Offer Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

UNDERWRITING

It is expected that our Company will grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Sole Lead Manager on behalf of the Placing Underwriters at any time prior to the Listing Date, to require our Company to issue up to an aggregate of 37,500,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer at the Offer Price, under the Placing to cover over-allocations (if any) in the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the sub-section headed “Underwriting arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the sub-section headed “Underwriting arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Total commission, fee and expenses

In connection with the Share Offer, the Public Offer Underwriters will, and the Placing Underwriters are expected to receive an underwriting commission of the aggregate of 3% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If any of Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee.

The aggregate commissions and estimated expenses, together with Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$24.0 million (based on the mid-point of our indicative Offer Price range and assuming the Offer Size Adjustment Option is not exercised) and are payable by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules. No director or employee of the Sole Sponsor has a directorship in our Company or any of its subsidiaries.

UNDERWRITING

SOLE SPONSOR'S INTERESTS IN OUR COMPANY

Save for (i) the sponsor's fee paid and to be payable to the Sole Sponsor in respect of the Listing; and (ii) the fees to be paid to Titan Financial as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules, neither the Sole Sponsor nor any of its directors, employees and associates is interested legally or beneficially in the shares of any member of Group nor any interest in the Share Offer or has any other business relationship with our Group.

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of its subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

UNDERWRITERS' INTEREST IN OUR COMPANY

Save for their respective interest and obligations under the Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Sole Lead Manager nor the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (a) the Public Offer of 25,000,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the sub-section headed “The Public Offer” in this section; and
- (b) the Placing of an aggregate of 225,000,000 new Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) outside of the United States to professional, institutional and/or other investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised).

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 25,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 75,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
- (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the number of Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
- (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 125,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, if the Public Offer Shares are undersubscribed, the Sole Lead Manager has the authority to reallocate all or any of the unsubscribed Public Offer Shares to the Placing.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.34 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the sub-section headed "The Placing – Price determination of the Share Offer" in this section, is less than the maximum Offer Price of HK\$0.34 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

THE PLACING

Number of Offer Shares offered

The Placing will consist of an initial offering of 225,000,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares initially available under the Share Offer and 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

Allocation

The Placing will include selective marketing of the Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Price Determination of the Share Offer" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Lead Manager (for itself and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Lead Manager so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described in “The Public Offer – Reallocation” in this section and/or the exercise of the Offer Size Adjustment Option in whole or in part. In addition, the Sole Lead Manager may reallocate Placing Shares from the Placing to the Public Offer to satisfy the valid applications under the Public Offer that exceeds the number of Public Offer Shares initially offered.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner.

PRICE DETERMINATION OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or before Friday, 7 April 2017 by agreement between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Sole Lead Manager (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In this case, we shall cause to be published, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer: (a) a notice of the change on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.edvancesecurity.com; and (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$56.0 million, assuming an Offer Price per Offer Share of HK\$0.32 (being the mid-point of the stated indicative Offer Price range of HK\$0.30 to HK\$0.34 per Offer Share).

The final Offer Price, the level of indications of interest in the Placing, the results of applications and the basis of allotment of the Public Offer Shares under the Public Offer, are expected to be announced on Tuesday, 18 April 2017 on the website of our Company at www.edvancesecurity.com and the website of the Stock Exchange at www.hkexnews.hk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Friday, 7 April 2017, the Share Offer will not become unconditional and will lapse immediately.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, our Company granted to the Placing Underwriters, exercisable by the Sole Lead Manager on behalf of the Placing Underwriters, the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 37,500,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised by the Sole Lead Manager prior to the Listing Date; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme. The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Offer Price of HK\$0.32 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK\$11.6 million, which would be applied to the respective uses as disclosed in the section headed “Business Objective and Future Plans” on a pro-rata basis.

Whether the Offer Size Adjustment Option is exercised will be disclosed in the allotment results announcement.

UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in the prospectus. Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interest.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on:

- (a) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and Capitalisation Issue (including any Shares to be issued upon the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme);
- (b) the Offer Price having been fixed on or before the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published on our Company's website at www.edvancesecurity.com and the Stock Exchange's website at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Tuesday, 18 April 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 19 April 2017 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus has not been exercised.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 19 April 2017, it is expected that dealings in the Shares on GEM will commence at 9:00 a.m. on Wednesday, 19 April 2017.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8410.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Lead Manager and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Lead Manager may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate or close associate (both as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Thursday, 6 April 2017 from:

- (i) the following office of the Sole Sponsor:

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

- (ii) the following office of the Sole Bookrunner and Sole Lead Manager:

Cinda International Securities Limited at 45th Floor, COSCO Tower, 183 Queen's Road Central, Central, Hong Kong; or

- (iii) the following offices of the Co-Lead Managers:

China Jianxin Financial Services Limited at Room 907, 9/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong; or

Goldenway Investments (HK) Limited at 28th Floor, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iv) the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Thursday, 6 April 2017 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited – Edvance Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Friday, 31 March 2017	–	9:00 a.m. to 5:00 p.m.
Saturday, 1 April 2017	–	9:00 a.m. to 1:00 p.m.
Monday, 3 April 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, 5 April 2017	–	9:00 a.m. to 5:00 p.m.
Thursday, 6 April 2017	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 6 April 2017, the last application day or such later time as described in the sub-section headed "9. Effect of bad weather on the opening of the application lists" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Lead Manager (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible and have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F., One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Lead Manager and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting *Electronic Application Instructions*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 31 March 2017	–	9:00 a.m. to 8:30 p.m. <i>(note 1)</i>
Saturday, 1 April 2017	–	8:00 a.m. to 1:00 p.m. <i>(note 1)</i>
Monday, 3 April 2017	–	8:00 a.m. to 8:30 p.m. <i>(note 1)</i>
Wednesday, 5 April 2017	–	8:00 a.m. to 8:30 p.m. <i>(note 1)</i>
Thursday, 6 April 2017	–	8:00 a.m. <i>(note 1)</i> to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 31 March 2017 until 12:00 noon on Thursday, 6 April 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 6 April 2017, the last application day or such later time as described in the sub-section headed “9. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 6 April 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 6 April 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 6 April 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

10. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 18 April 2017 on our Company's website at www.edvancesecurity.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.edvancesecurity.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 18 April 2017;
- from the designated results of allocations website at www.unioniporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 18 April 2017 to 12:00 midnight on Monday, 24 April 2017;
- by telephone enquiry line by calling (852) 3443 6133 between 9:00 a.m. and 6:00 p.m. from Tuesday, 18 April 2017 to Friday, 21 April 2017 on a business day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 18 April 2017 to Thursday, 20 April 2017 at all the designated receiving bank branches on a business day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Lead Manager believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.34 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed "Structure and Conditions of the Share Offer – Conditions of the Public Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Any refund of your application monies will be made on Tuesday, 18 April 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Tuesday, 18 April 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 19 April 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 April 2017 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 18 April 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 18 April 2017 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 18 April 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 18 April 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the sub-section headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 18 April 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 18 April 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" above on Tuesday, 18 April 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 18 April 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 18 April 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 18 April 2017.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Deloitte.**德勤**Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong**100** Making another century of impact
德勤百年慶 開創新紀元

31 March 2017

The Directors

Edvance International Holdings Limited**Titan Financial Services Limited**

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Edvance International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 (the “Track Record Periods”) for inclusion in the prospectus issued by the Company dated 31 March 2017 (the “Prospectus”), in connection with the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016. Pursuant to a group reorganisation as disclosed in the section headed “Our History, Reorganisation and Corporate Structure” to the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 23 March 2017.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation/operation	Date of incorporation	Particulars of issued and paid up capital/registered capital	Proportion of ownership interest attributable to the Company as at				Principal activities
				31 March 2015	31 March 2016	30 September 2016	As at date of report	
Best Gear Group Limited ("Best Gear")	British Virgin Islands ("BVI")/ Hong Kong	18 March 2014	United States Dollars ("US\$") 100	84%	84%	76%	100%	Investment holding
Subsidiaries of Best Gear								
Edvance Holdings Limited ("Edvance Holdings")	Hong Kong	14 July 2014	Hong Kong Dollars ("HK\$") 1	100%	100%	100%	100%	Investment holding
Edvance Consulting (Hong Kong) Limited ("Edvance Consulting (HK)")	Hong Kong	1 February 2012	HK\$100,000	70%	100%	100%	100%	Provision of IT Security services
Edvance Technology (Hong Kong) Limited ("Edvance Technology (HK)")	Hong Kong	26 August 2002	HK\$100,000	100%	100%	100%	100%	Distribution of IT Security products and provision of IT Security services
Edvance Technology (China) Limited (note) 安領科技(深圳)有限公司 ("Edvance Technology (China)")	The People's Republic of China (the "PRC")	12 October 2007	Renminbi 2,000,000	100%	100%	100%	100%	Distribution of IT Security products and provision of IT Security services
Edvance Technology (Macau) Limited ("Edvance Technology (Macau)")	Macau	13 May 2015	Macau Pataca 25,000	N/A	100%	100%	100%	Distribution of IT Security products and provision of IT Security services
Edvance Technology (Singapore) Pte. Ltd. ("Edvance Technology (Singapore)")	Republic of Singapore ("Singapore")	11 April 2013	Singapore Dollars ("SGS") 100,000	51%	100%	100%	100%	Distribution of IT Security products and provision of IT Security services

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

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

Except for Edvance Technology (China), which adopted 31 December as their financial year end date, the Company and all other subsidiaries have adopted 31 March as their financial year end date.

No audited financial statements have been prepared for the Company, Best Bear and Edvance Technology (Macau) since their respective dates of incorporation as they were incorporated in jurisdiction where there is no statutory audit requirements.

We have acted as the statutory auditor of Edvance Holdings, Edvance Consulting (HK) and Edvance Technology (HK) for the year ended 31 March 2016. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Edvance Holdings, Edvance Consulting (HK) and Edvance Technology (HK) for the year ended 31 March 2015 were prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA and audited by Irene Cheng & Co. Limited, a firm of certified public accountants registered in Hong Kong.

The statutory financial statements of Edvance Technology (China) for the year ended 31 December 2013, 2014 and 2015 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprise established in the PRC. They were audited by Shenzhen ChangJiang Certified Public Accountants (“深圳長江會計師事務所 (普通合夥)”), certified public accountants registered in the PRC.

The statutory financial statements of Edvance Technology (Singapore) for the year ended 31 March 2015 and 2016 were prepared in accordance with the Singapore Financial Reporting Standards issued by Institute of Singapore Chartered Accountants and audited by ER & Co., a firm of public and chartered accountants registered in Singapore.

For the purpose of this report, the directors of Best Gear have prepared the consolidated financial statements of Best Gear and its subsidiaries for the Track Record Periods in accordance with HKFRSs issued by the HKICPA (the “Best Gear Underlying Financial Statements”). We have undertaken an independent audit of the Best Gear Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have also examined the Best Gear Underlying Financial Statements and management accounts of the Company prepared by the directors of the Company (collectively referred to as the “Underlying Financial Statements”) in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA. We have also reviewed the material transactions of the Company and carried out such procedures as we considered necessary for inclusion of their financial information in the Prospectus.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of section A below after making such adjustments as the directors of the Company consider appropriate for the purpose of the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out on note 2 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015 and 2016 and 30 September 2016 and of the Company as at 30 September 2016 and of the financial performance and cash flows of the Group for the Track Record Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the six months ended 30 September 2015 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 September 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2015 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 September 2015 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	NOTES	Year ended 31 March		Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue	6	125,459	176,999	84,496	102,062
Cost of sales		<u>(87,915)</u>	<u>(123,806)</u>	<u>(58,391)</u>	<u>(74,994)</u>
Gross profit		37,544	53,193	26,105	27,068
Other income	7	171	678	258	288
Other gains and losses, net	7	(284)	(881)	(299)	82
Distribution and selling expenses		(19,046)	(18,187)	(7,946)	(9,243)
Administrative expenses		(11,400)	(16,165)	(8,944)	(8,961)
Listing expenses		–	–	–	(2,500)
Finance costs	8	<u>(263)</u>	<u>(678)</u>	<u>(230)</u>	<u>(251)</u>
Profit before taxation		6,722	17,960	8,944	6,483
Taxation	9	<u>(1,644)</u>	<u>(3,268)</u>	<u>(2,167)</u>	<u>(1,674)</u>
Profit for the year/period	10	5,078	14,692	6,777	4,809
Other comprehensive income (expense) for the year/period: <i>Item that may be subsequently reclassified to profit or loss:</i> – Exchange differences arising on translation of foreign operations		<u>73</u>	<u>(50)</u>	<u>(116)</u>	<u>(289)</u>
Total comprehensive income for the year/period		<u>5,151</u>	<u>14,642</u>	<u>6,661</u>	<u>4,520</u>

NOTES	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit (loss) for the year/ period attributable to:				
– owners of the Company	5,721	11,990	5,762	3,440
– non-controlling interests	<u>(643)</u>	<u>2,702</u>	<u>1,015</u>	<u>1,369</u>
	<u>5,078</u>	<u>14,692</u>	<u>6,777</u>	<u>4,809</u>
Total comprehensive income (expense) for the year/period attributable to:				
– owners of the Company	5,781	11,948	5,665	3,207
– non-controlling interests	<u>(630)</u>	<u>2,694</u>	<u>996</u>	<u>1,313</u>
	<u>5,151</u>	<u>14,642</u>	<u>6,661</u>	<u>4,520</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group		The Company	
		As at 31 March		As at 30 September	
		2015	2016	2016	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS					
Property and equipment	14	2,096	1,496	1,198	-
Prepayment and deposits	15	11,265	20,519	26,445	-
Deferred tax assets	25	-	294	294	-
		<u>13,361</u>	<u>22,309</u>	<u>27,937</u>	<u>-</u>
CURRENT ASSETS					
Inventories	18	5,251	11,056	5,858	-
Trade and other receivables, prepayment and deposits	15	36,133	60,355	70,349	3,879
Amount due from a director	19	468	-	934	-
Tax recoverable		1,486	-	-	-
Bank balances and cash	20	<u>6,862</u>	<u>12,494</u>	<u>9,449</u>	<u>-</u>
		<u>50,200</u>	<u>83,905</u>	<u>86,590</u>	<u>3,879</u>
CURRENT LIABILITIES					
Trade and other payables and accruals	21	41,541	65,469	61,270	165
Amount due to Best Gear	17	-	-	-	6,266
Amounts due to related parties	16	100	200	6,000	-
Amounts due to directors	19	1,950	3,480	-	-
Bank borrowings	23	3,017	8,121	6,738	-
Obligations under finance leases	24	222	339	296	-
Provisions	26	-	1,826	1,826	-
Tax liabilities		-	869	2,111	-
		<u>46,830</u>	<u>80,304</u>	<u>78,241</u>	<u>6,431</u>

	NOTES	The Group		The Company	
		As at 31 March		As at	As at
		2015	2016	30 September	30 September
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
NET CURRENT ASSETS					
(LIABILITIES)		<u>3,370</u>	<u>3,601</u>	<u>8,349</u>	<u>(2,552)</u>
TOTAL ASSETS LESS CURRENT					
LIABILITIES		<u>16,731</u>	<u>25,910</u>	<u>36,286</u>	<u>(2,552)</u>
NON-CURRENT LIABILITIES					
Derivative financial instruments	22	–	303	159	–
Obligations under finance leases	24	325	146	19	–
Deferred revenue	21	<u>15,647</u>	<u>13,393</u>	<u>19,520</u>	<u>–</u>
		<u>15,972</u>	<u>13,842</u>	<u>19,698</u>	<u>–</u>
NET ASSETS (LIABILITIES)		<u>759</u>	<u>12,068</u>	<u>16,588</u>	<u>(2,552)</u>
CAPITAL AND RESERVES					
Share capital	27	1	1	1	1
Reserves		<u>1,786</u>	<u>10,136</u>	<u>11,993</u>	<u>(2,553)</u>
Equity attributable to owners of					
the Company		1,787	10,137	11,994	(2,552)
Non-controlling interests		<u>(1,028)</u>	<u>1,931</u>	<u>4,594</u>	<u>–</u>
TOTAL EQUITY		<u>759</u>	<u>12,068</u>	<u>16,588</u>	<u>(2,552)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000 (note)	Translation reserve HK\$'000	Accumulated (losses) profits HK\$'000			
At 1 April 2014	97	–	256	(1,511)	(1,158)	(235)	(1,393)
Profit (loss) for the year	–	–	–	5,721	5,721	(643)	5,078
Other comprehensive income for the year	–	–	60	–	60	13	73
Total comprehensive income (expense) for the year	–	–	60	5,721	5,781	(630)	5,151
Transfer upon group reorganisation	(97)	(220)	–	–	(317)	317	–
Issue of share	1	–	–	–	1	–	1
Dividends paid (note 12)	–	–	–	(2,520)	(2,520)	(480)	(3,000)
At 31 March 2015	1	(220)	316	1,690	1,787	(1,028)	759
Profit for the year	–	–	–	11,990	11,990	2,702	14,692
Other comprehensive expense for the year	–	–	(42)	–	(42)	(8)	(50)
Total comprehensive (expense) income for the year	–	–	(42)	11,990	11,948	2,694	14,642
Acquisition from non- controlling shareholders of subsidiaries (note 33)	–	(1,078)	–	–	(1,078)	745	(333)
Dividends paid (note 12)	–	–	–	(2,520)	(2,520)	(480)	(3,000)
At 31 March 2016	1	(1,298)	274	11,160	10,137	1,931	12,068
Profit for the period	–	–	–	3,440	3,440	1,369	4,809
Other comprehensive expense for the period	–	–	(233)	–	(233)	(56)	(289)
Total comprehensive (expense) income for the period	–	–	(233)	3,440	3,207	1,313	4,520
Partial disposal of subsidiaries without losing control (note 33)	–	(1,350)	–	–	(1,350)	1,350	–
At 30 September 2016	1	(2,648)	41	14,600	11,994	4,594	16,588
At 1 April 2015	1	(220)	316	1,690	1,787	(1,028)	759
Profit for the period	–	–	–	5,762	5,762	1,015	6,777
Other comprehensive expense for the period	–	–	(97)	–	(97)	(19)	(116)
Total comprehensive (expense) income for the period (unaudited)	–	–	(97)	5,762	5,665	996	6,661
At 30 September 2015 (unaudited)	1	(220)	219	7,452	7,452	(32)	7,420

Note: Other reserves as at 30 September 2016 represent the aggregate amount of (i) the difference of HK\$220,000 between the share capital of Edvance Technology (HK) and that of Best Gear issued pursuant to a reorganisation as stated in note 33 during the year ended 31 March 2015; (ii) the acquisition of shares from non-controlling shareholders of subsidiaries during the year ended 31 March 2016, of which details are disclosed in note 33, resulting a deficit of HK\$1,078,000 charging to other reserves; and (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 six months ended 30 September 2016, resulting a deficit of HK\$1,350,000 charging to other reserves.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
OPERATING ACTIVITIES				
Profit before taxation	6,722	17,960	8,944	6,483
Adjustments for:				
Finance costs	263	678	230	251
Allowance for bad and doubtful debts	–	348	348	120
Fair value changes of derivative financial instruments	–	303	–	(144)
Interest income	(134)	(450)	(215)	(212)
Depreciation	998	1,170	502	497
Operating cash flows before movements in working capital	7,849	20,009	9,809	6,995
(Increase) decrease in inventories	(1,582)	(5,805)	752	5,198
Increase in trade and other receivables, prepayment and deposits	(13,246)	(24,017)	(14,376)	(15,832)
Increase in trade and other payables and accruals	15,920	21,674	4,630	1,928
Increase (decrease) in amounts due to related parties	20	100	–	(200)
Increase in provisions	–	1,826	1,826	–
Cash generated from (used in) operations	8,961	13,787	2,641	(1,911)
Income tax paid	(2,858)	(1,207)	(94)	(432)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	6,103	12,580	2,547	(2,343)
INVESTING ACTIVITIES				
Bank interest received	9	10	4	4
Purchase of property and equipment	(1,519)	(145)	(51)	(199)
Payment for life insurance contracts	–	(9,367)	(7,817)	–
Repayment from a director	–	468	468	–
Advance to a director	–	–	–	(934)
NET CASH USED IN INVESTING ACTIVITIES	(1,510)	(9,034)	(7,396)	(1,129)

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
FINANCING ACTIVITIES				
Interest paid	(263)	(678)	(230)	(251)
Bank borrowings raised	14,050	40,717	7,059	–
Repayment of bank borrowings	(13,120)	(35,613)	(2,640)	(1,383)
Dividend paid	(3,000)	(3,000)	–	–
Advance from directors	–	4,030	1,493	–
Repayment to directors	(145)	(2,500)	–	(3,480)
Advance from a related party	–	–	–	6,000
Issue of share	1	–	–	–
Repayment of obligations under finance leases	(227)	(488)	(128)	(170)
Payment for acquisition from non-controlling interest of subsidiaries	–	(333)	–	–
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	<u>(2,704)</u>	<u>2,135</u>	<u>5,554</u>	<u>716</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,889	5,681	705	(2,756)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	4,902	6,862	6,862	12,494
Effect of exchange rate changes	<u>71</u>	<u>(49)</u>	<u>(112)</u>	<u>(289)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD represented by bank balances and cash	<u>6,862</u>	<u>12,494</u>	<u>7,455</u>	<u>9,449</u>

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company is a private limited company incorporated in the Cayman Islands on 7 July 2016. The address of the registered office and principal place of business are stated in the “Corporate Information” section of the Prospectus.

The Company is an investment holding company. The principal activities of the Group is the distribution of IT Security products and provision of IT Security services in Hong Kong, the PRC and Singapore.

The Financial Information is presented in HK\$ which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Before the 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. John Von 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. John Von, Mr. TL Lam and Mr. Francis Lee are considered as non-controlling shareholders of the Company.

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

- (i) On 31 March 2016, Edvance Holdings acquired 30% equity interest of 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) from Mr. Raymond Liu at a cash consideration of SG\$49,000 (equivalent to HK\$303,000). Upon these acquisitions, Edvance Consulting (HK) Limited and Edvance Technology (Singapore) became wholly-owned subsidiaries of Edvance Holdings.

- (ii) Success Vision International Group Limited (“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. John Von, 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. John Von 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.
- (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. 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 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. John Von 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 Track Record Periods or since their respective dates of incorporation, where there is a shorter period. Accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Periods 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 throughout the Track Record Periods, or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2015 and 2016 and 30 September 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.

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

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has applied all HKFRSs which are effective for the Group’s accounting period beginning on 1 April 2016, consistently throughout the Track Record Periods.

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 ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ³
Amendments to HKFRS 2	Clarifications 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 HKAS 7	Disclosure initiative ²

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ²
Amendments to HKFRS 10, HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵

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

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

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

The directors of the Company have reviewed the Group's financial assets as at 30 September 2016 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 Revenue from contracts with customers

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

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

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

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.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the financial statements based on the existing business model of the Group as at 30 September 2016.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the combined statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably

certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

As set out in note 31, total operating lease commitment of the Group in respect of leased premises as at 30 September 2016 is amounted to HK\$15,227,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the statements of financial position as right-of-use assets and lease liabilities.

Except for above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which are in conformity with HKFRSs issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis.

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 combined financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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

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

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates 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.

Combination 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/period are included in the combined statements 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 combination.

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 Financial Information incorporates 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 combined statements 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 from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property and equipment

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

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

The Group as lessee

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

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

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 the employees up to each of the reporting period.

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 term of historical cost in a foreign currency are not re-translated.

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

For the purposes of presenting the Financial Information, 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/period. Taxable profit differs from profit before taxation as reported in the combined statements 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 Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

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

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

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

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

Current and deferred tax is recognised in profit or loss.

Inventories

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

Provisions

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

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

Impairment on assets other than financial assets

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

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities other than derivative financial instruments (including trade and other payables and accruals, bank borrowings, amounts due to related parties and amount due to directors and amount due to Best Gear) 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

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 and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowance for bad and doubtful debts of HK\$348,000 and HK\$120,000 were charged for the year ended 31 March 2016 and six months ended 30 September 2016, respectively. As at 31 March 2015, 2016 and 30 September 2016, the carrying amounts of trade receivables are HK\$21,379,000, HK\$37,525,000 and HK\$40,617,000, respectively.

Allowances for inventories

Management of the Group reviews the inventory ageing analysis at the end of the reporting period in order to identify slow-moving inventory items. Management of the Group estimates the net realisable value for inventories based primarily on the latest market prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

No allowance for inventories are charged for the two years ended 31 March 2015 and 2016 and six months ended 30 September 2016. The carrying amounts of inventories are HK\$5,251,000, HK\$11,056,000 and HK\$5,858,000 as at 31 March 2015 and 2016 and 30 September 2016, respectively.

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/period, 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 chief operating decision makers 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
For the year ended 31 March 2015			
Segment revenue	<u>73,459</u>	<u>52,000</u>	<u>125,459</u>
Segment results	<u>17,810</u>	<u>19,734</u>	37,544
Other income			171
Other gains and losses, net			(284)
Distribution and selling expenses			(19,046)
Administrative expenses			(11,400)
Finance costs			<u>(263)</u>
Profit before taxation			<u>6,722</u>
	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
For the year ended 31 March 2016			
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 gains and losses, net			(881)
Distribution and selling expenses			(18,187)
Administrative expenses			(16,165)
Finance costs			<u>(678)</u>
Profit before taxation			<u>17,960</u>

	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2015 (unaudited)			
Segment revenue	<u>53,196</u>	<u>31,300</u>	<u>84,496</u>
Segment results	<u>14,195</u>	<u>11,910</u>	26,105
Other income			258
Other gains and losses, net			(299)
Distribution and selling expenses			(7,946)
Administrative expenses			(8,944)
Finance costs			<u>(230)</u>
Profit before taxation			<u>8,944</u>
	IT security products business HK\$'000	IT security services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2016			
Segment revenue	<u>56,983</u>	<u>45,079</u>	<u>102,062</u>
Segment results	<u>11,661</u>	<u>15,407</u>	27,068
Other income			288
Other gains and losses, net			82
Distribution and selling expenses			(9,243)
Administrative expenses			(8,961)
Listing expenses			(2,500)
Finance costs			<u>(251)</u>
Profit before taxation			<u>6,483</u>

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

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

Geographical information

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

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(unaudited)	
Hong Kong	92,103	124,338	61,587	79,580
Macau (<i>note</i>)	18,060	16,217	7,335	7,208
Mongolian People's Republic (<i>note</i>)	1,001	4,763	274	1,517
The PRC (excluding Hong Kong and Macau)	11,057	23,794	12,396	8,893
Singapore	<u>3,238</u>	<u>7,887</u>	<u>2,904</u>	<u>4,864</u>
	<u>125,459</u>	<u>176,999</u>	<u>84,496</u>	<u>102,062</u>

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.

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	10,060	9,742	15,275
The PRC (excluding Hong Kong)	404	287	208
Singapore	<u>144</u>	<u>142</u>	<u>167</u>
	<u>10,608</u>	<u>10,171</u>	<u>15,650</u>

Information about major customers

An analysis of revenue from customers contributing to over 10% of the Group's total revenue for the year/period is as follows:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000		HK\$'000	HK\$'000
			(unaudited)	
Customer A ¹	– <i>Note</i>	18,134	– <i>Note</i>	– <i>Note</i>
Customer B ¹	– <i>Note</i>	– <i>Note</i>	9,786	– <i>Note</i>
Customer C ¹	– <i>Note</i>	– <i>Note</i>	– <i>Note</i>	<u>12,007</u>

Note: Customers A did not contribute over 10% of the Group's total revenue for the year ended 31 March 2015 and for each of the six months ended 30 September 2015 (unaudited) and 2016.

Customer B did not contribute over 10% of the Group's total revenue for the year ended 31 March 2015 and 2016 and for the six months ended 30 September 2016.

Customer C did not contribute over 10% of the Group's total revenue for the year ended 31 March 2015 and 2016 and for the six months ended 30 September 2015 (unaudited).

¹ Revenue derived from IT security products business and IT security services business.

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(unaudited)	
Bank interest income	9	10	4	4
Interest income from deposits for life insurance contracts	125	440	211	208
Others	<u>37</u>	<u>228</u>	<u>43</u>	<u>76</u>
	<u>171</u>	<u>678</u>	<u>258</u>	<u>288</u>

Other gains and losses, net

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(unaudited)	
Allowance for bad and doubtful debts	–	(348)	(348)	(120)
Fair value changes of derivative financial instruments	–	(303)	–	144
Net foreign exchange (losses) gains	<u>(284)</u>	<u>(230)</u>	<u>49</u>	<u>58</u>
	<u>(284)</u>	<u>(881)</u>	<u>(299)</u>	<u>82</u>

8. FINANCE COSTS

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest on bank borrowings	227	630	219	155
Interest on obligations under finance leases	36	48	11	8
Interest on loan from a related party	—	—	—	88
	<u>263</u>	<u>678</u>	<u>230</u>	<u>251</u>

9. TAXATION

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Current tax:				
Hong Kong Profits Tax	1,607	3,241	1,877	1,674
PRC Enterprise Income Tax ("EIT")	37	121	90	—
Withholding tax arising from dividends received from a subsidiary in the PRC	—	200	200	—
Deferred tax credit (note 25)	—	(294)	—	—
	<u>1,644</u>	<u>3,268</u>	<u>2,167</u>	<u>1,674</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during Track Record Periods. PRC EIT is calculated at 25% of the assessable profits during Track Record Periods.

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 company in Hong Kong.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year/period. No provision of Macau Complementary Tax was made as the subsidiary in Macau has not started operation during the Track Record Periods.

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 2015 or the assessable profits were absorbed by the tax losses brought forward for the year ended 31 March 2016 and six months ended 30 September 2016.

The taxation for the year/period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Profit before taxation	<u>6,722</u>	<u>17,960</u>	<u>8,944</u>	<u>6,483</u>
Taxation at Hong Kong				
Profits Tax rate of 16.5%	1,109	2,963	1,476	1,070
Tax effect of income not taxable for tax purposes	(21)	(25)	(21)	(18)
Tax effect of expenses not deductible for tax purposes	119	342	320	474
Utilisation of tax losses previously not recognised	–	(394)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	13	41	30	–
Tax effect of tax losses not recognised	424	141	162	148
Withholding tax recognised	<u>–</u>	<u>200</u>	<u>200</u>	<u>–</u>
Taxation for the year/period	<u>1,644</u>	<u>3,268</u>	<u>2,167</u>	<u>1,674</u>

At 31 March 2015 and 2016 and 30 September 2016, the Group had estimated unused tax losses of approximately HK\$6,048,000, HK\$6,297,000 and HK\$7,194,000 respectively to offset against future profits. A deferred tax asset has been recognised in respect of estimated tax losses of nil, HK\$1,782,000 and HK\$1,782,000 as at 31 March 2015 and 2016 and 30 September 2016. 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\$177,000 as at 30 September 2016 that will expire by 31 December 2021, other losses may be carried forward indefinitely.

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit for the year/period has been arrived at after charging:				
Staff costs:				
Directors' remuneration (note 11)	3,939	5,164	2,061	2,573
Other staff costs	23,344	26,299	11,930	13,744
Contributions to retirement benefit schemes	840	1,055	553	642
	<u>28,123</u>	<u>32,518</u>	<u>14,544</u>	<u>16,959</u>
Auditor's remuneration	73	646	300	370
Cost of inventories recognised as an expense	55,559	79,740	37,756	45,102
Depreciation of property and equipment	998	1,170	502	497
Minimum lease payments in respect of office premises	2,302	2,353	1,233	1,539

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Mr. Raymond Liu and Mr. Ashley Lo were appointed as the directors of the Company on 7 July 2016 and Mr. Francis Lee, Mr. TL Lam and Mr. John Von were appointed as directors of the Company on 21 November 2016. Dr. Tang Sing Hing Kenny was appointed as non-executive director on 21 November 2016 and 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. The emoluments paid or payable to the directors and chief executive of Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the Group during the Track Record Periods were as follows:

	Salaries, allowance and other benefits	Performance related bonus	Retirement benefit schemes contributions	Total	
Directors' fee	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Note i)			
For the year ended					
31 March 2015					
<i>Executive directors</i>					
Mr. Raymond Liu	-	730	102	77	909
Mr. Ashley Lo	-	924	-	52	976
Mr. Francis Lee	-	672	302	47	1,021
Mr. TL Lam	-	529	486	18	1,033
	-	2,855	890	194	3,939

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

	Directors' fee <i>HK\$'000</i>	Salaries, allowance and other benefits <i>HK\$'000</i>	Performance related bonus <i>HK\$'000</i>	Retirement benefit schemes contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>(Note i)</i>					
For the period ended					
30 September 2015					
(unaudited)					
<i>Executive directors</i>					
Mr. Raymond Liu	–	474	66	51	591
Mr. Ashley Lo	–	462	–	32	494
Mr. Francis Lee	–	340	92	31	463
Mr. TL Lam	–	315	44	9	368
Mr. John Von	–	145	–	–	145
	–	1,736	202	123	2,061

	Directors' fee	Salaries, allowance and other benefits	Performance related bonus	Retirement benefit schemes contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note i)		
For the period ended					
30 September 2016					
<i>Executive directors</i>					
Mr. Raymond Liu	-	690	-	39	729
Mr. Ashley Lo	-	462	-	32	494
Mr. Francis Lee	-	310	-	35	345
Mr. TL Lam	-	461	-	24	485
Mr. John Von	-	514	-	6	520
	-	2,437	-	136	2,573

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. John Von has joined the Group since August 2015.
- (iii) No remuneration was paid by the Group to Dr. Tang Sing Hing Kenny, Mr. Yu Kwok Chun Raymond, Mr. Ng Tsz Fung Jimmy and Mr. Chan Siu Ming Simon during the Track Record Periods.

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

The emoluments stated above were mainly for their services in connection with their roles as directors of the Company and subsidiaries.

During the Track Record Periods, 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. The directors of the Company have not waived any remuneration during the Track Record Periods.

Employees' emoluments

The five highest paid individuals of the Group include three, four, three (unaudited) and three directors of the Company for each of the year ended 31 March 2015 and 2016 and each of the six months ended 30 September 2015 and 2016 respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining two, one, two (unaudited) and two individuals for each of the year ended 31 March 2015 and 2016 and each of the six months ended 30 September 2015 and 2016 respectively, are as follows:

	Year ended 31 March		Six months ended 30 September	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries and other benefits	1,688	684	728	830
Performance related bonuses	680	408	142	190
Contributions to retirement benefit schemes	49	52	35	24
	<u>2,417</u>	<u>1,144</u>	<u>905</u>	<u>1,044</u>

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

	Year ended 31 March		Six months ended 30 September	
	2015 <i>No. of employees</i>	2016 <i>No. of employees</i>	2015 <i>No. of employees</i>	2016 <i>No. of employees</i>
Nil to HK\$1,000,000	2	1	5	5
HK\$1,000,001 to HK\$1,500,000	3	4	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Periods, 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.

12. DIVIDEND

During each of the year ended 31 March 2015 and 2016, Best Gear declared and paid dividends of HK\$3,000,000 (HK\$300 per share) and HK\$3,000,000 (HK\$300 per share) respectively in respect of each of the year ended 31 March 2015 and 2016 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 during the Track Record Periods.

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the year ended 31 March 2015 and 2016 and the six months ended 30 September 2016 on a combined basis as disclosed in note 2.

14. PROPERTY AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2014	735	761	1,201	2,697
Additions	<u>727</u>	<u>132</u>	<u>660</u>	<u>1,519</u>
At 31 March 2015	1,462	893	1,861	4,216
Additions	–	87	484	571
Exchange realignment	<u>–</u>	<u>(6)</u>	<u>–</u>	<u>(6)</u>
At 31 March 2016	1,462	974	2,345	4,781
Additions	–	199	–	199
Exchange realignment	<u>–</u>	<u>(4)</u>	<u>–</u>	<u>(4)</u>
At 30 September 2016	<u>1,462</u>	<u>1,169</u>	<u>2,345</u>	<u>4,976</u>
ACCUMULATED DEPRECIATION				
At 1 April 2014	294	468	360	1,122
Provided for the year	<u>292</u>	<u>147</u>	<u>559</u>	<u>998</u>
At 31 March 2015	586	615	919	2,120
Provided for the year	292	175	703	1,170
Exchange realignment	<u>–</u>	<u>(5)</u>	<u>–</u>	<u>(5)</u>
At 31 March 2016	878	785	1,622	3,285
Provided for the period	146	59	292	497
Exchange realignment	<u>–</u>	<u>(4)</u>	<u>–</u>	<u>(4)</u>
At 30 September 2016	<u>1,024</u>	<u>840</u>	<u>1,914</u>	<u>3,778</u>
CARRYING VALUES				
At 31 March 2015	<u>876</u>	<u>278</u>	<u>942</u>	<u>2,096</u>
At 31 March 2016	<u>584</u>	<u>189</u>	<u>723</u>	<u>1,496</u>
At 30 September 2016	<u>438</u>	<u>329</u>	<u>431</u>	<u>1,198</u>

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 ¹ / ₃ %
Motor vehicles	33 ¹ / ₃ %

The carrying value of motor vehicles held under finance lease was HK\$942,000, HK\$603,000 and HK\$431,000 as at 31 March 2015, 31 March 2016 and 30 September 2016, respectively.

15. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	The Group		The Company	
	As at 31 March 2015 HK\$'000	2016 HK\$'000	As at 30 September 2016 HK\$'000	As at 30 September 2016 HK\$'000
Trade receivables	21,379	37,525	40,617	–
Rental deposits	536	543	1,894	–
Prepayment to suppliers for maintenance and support services (note (ii))	21,178	29,727	35,245	–
Deposits for life insurance contracts (note (i))	2,753	11,862	11,994	–
Prepayment of life insurance charged (note (i))	95	620	600	–
Deferred and prepaid listing expenses	–	–	3,879	3,879
Prepayment and others	1,457	597	2,565	–
Total trade and other receivables, deposits and prepayment	<u>47,398</u>	<u>80,874</u>	<u>96,794</u>	<u>3,879</u>
Analysed as:				
Current	36,133	60,355	70,349	3,879
Non-current	<u>11,265</u>	<u>20,519</u>	<u>26,445</u>	–
	<u>47,398</u>	<u>80,874</u>	<u>96,794</u>	<u>3,879</u>

Notes:

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

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

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

- (ii) The amounts represented the prepayment made to the suppliers for their maintenance and support services to the Group. The prepayment is charged to profit or loss using straight-line method over the terms of maintenance and support contracts with suppliers and will form part of the Group’s costs of services on maintenance and support services to customers of the Group.

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 61.2%, 74.5% and 50.8% of trade receivables as at 31 March 2015 and 2016 and 30 September 2016, respectively, 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.

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:

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	13,471	24,036	18,374
31 to 60 days	4,215	6,719	11,843
61 to 90 days	2,060	2,156	5,784
91 to 120 days	–	864	106
121 to 365 days	1,608	3,750	4,000
Over 365 days	<u>25</u>	<u>–</u>	<u>510</u>
	<u>21,379</u>	<u>37,525</u>	<u>40,617</u>

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 and/or the past collection history of each customer.

The Group has recognised an allowance of bad and doubtful debts of nil, HK\$348,000 and HK\$120,000 during the year ended 31 March 2015 and 2016 and the six months ended 30 September 2016, respectively, as the directors of the Company consider that credit quality of these debtors are in doubt. The loss has been included in "other gains and losses, net" in the combined statements of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Movement in the allowance for bad and doubtful debts

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
At the beginning of the reporting period	–	–	–
Impairment loss recognised on receivables	–	348	120
Amounts written off as uncollectible	–	(348)	(120)
At the end of the reporting period	–	–	–

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil, HK\$348,000 and HK\$120,000 during the year ended 31 March 2015 and 2016 and the six months ended 30 September 2016, respectively, which credit quality of these debtors are in doubt.

As at 31 March 2015 and 2016 and 30 September 2016, aggregate carrying amounts of HK\$8,305,000, HK\$9,569,000 and HK\$20,003,000 were past due, respectively, for which the Group has not provided for impairment loss 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 38.6 days, 112.7 days and 42.1 days as at 31 March 2015 and 2016 and 30 September 2016 respectively.

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

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Overdue 0 to 30 days	5,466	3,600	15,635
Overdue 31 to 60 days	1,186	1,194	1,729
Overdue 61 to 90 days	20	1,025	526
Overdue 91 to 120 days	1,585	–	63
Overdue 121 to 180 days	23	64	1,155
Overdue over 180 days	25	3,686	895
	8,305	9,569	20,003

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 believe that no further impairment is required.

16. AMOUNTS DUE TO RELATED PARTIES

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Xceed Consulting Company ("Xceed") (<i>note</i>)	100	200	–
Success Vision	<u>–</u>	<u>–</u>	<u>6,000</u>
	<u>100</u>	<u>200</u>	<u>6,000</u>

Amount due to Xceed is trade in nature, unsecured, interest-free and with no fixed repayment term. The amount is aged within 30 days which is neither past due nor impaired as at 31 March 2015 and 2016.

Amount due to Success Vision is non-trade in nature, unsecured, repayable on 16 December 2016 with interest rate of 5% per annum. The amount is subsequently settled.

Note: Ms. Cheng Chui Ying, the spouse of Mr. Raymond Liu, is the controlling shareholder of Xceed.

17. AMOUNT DUE TO BEST GEAR

The amount is unsecured, interest-free and repayable on demand.

18. INVENTORIES

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Finished goods, at cost	<u>5,251</u>	<u>11,056</u>	<u>5,858</u>

19. AMOUNTS DUE FROM/TO DIRECTOR(S)

Amounts due from a director

	As at	As at		As at
	1 April	31 March		30 September
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Raymond				
Liu	<u>–</u>	<u>468</u>	<u>–</u>	<u>934</u>

The maximum amount due from Mr. Raymond Liu during the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016 were HK\$468,000, HK\$468,000 and HK\$934,000 respectively.

Amounts due from a director are non-trade in nature, unsecured, interest-free and with no fixed repayment term. The amounts are subsequently settled.

Amounts due to directors

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
Mr. Raymond Liu	–	530	–
Mr. Ashley Lo	<u>1,950</u>	<u>2,950</u>	<u>–</u>
	<u>1,950</u>	<u>3,480</u>	<u>–</u>

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

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 during the Track Record Periods.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	<u>The Group</u>			<u>The Company</u>
	As at 31 March		As at	As at
	2015	2016	30 September	30 September
	HK\$'000	HK\$'000	2016 HK\$'000	2016 HK\$'000
Trade payables	10,437	25,902	18,417	–
Accrued expense	4,834	3,526	2,016	165
Deferred revenue				
<i>(note)</i>	41,716	49,015	59,770	–
Others	201	419	587	–
	<u>57,188</u>	<u>78,862</u>	<u>80,790</u>	<u>165</u>
Analysed as:				
Current	41,541	65,469	61,270	165
Non-current	<u>15,647</u>	<u>13,393</u>	<u>19,520</u>	–
	<u>57,188</u>	<u>78,862</u>	<u>80,790</u>	<u>165</u>

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.

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

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016 HK\$'000
0 to 30 days	7,104	19,242	9,048
31 to 60 days	1,627	338	2,388
61 to 90 days	1,065	–	549
91 to 120 days	–	416	168
121 to 365 days	47	5,095	1,280
Over 365 days	594	811	4,984
	<u>10,437</u>	<u>25,902</u>	<u>18,417</u>

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

23. BANK BORROWINGS

	As at 31 March		As at
	2015	2016	30 September
	HK\$'000	HK\$'000	2016
			HK\$'000
Secured and guaranteed bank borrowings	<u>3,017</u>	<u>8,121</u>	<u>6,738</u>
Carrying amount payable:			
Within one year	2,398	2,727	1,829
More than one year but not more than two years	619	982	1,000
More than two years but not more than five years	–	3,167	3,225
More than five years	<u>–</u>	<u>1,245</u>	<u>684</u>
	3,017	8,121	6,738
Less: Amounts due within one year or contain a repayment on demand clause	<u>(3,017)</u>	<u>(8,121)</u>	<u>(6,738)</u>
Repayable more than one year	<u>–</u>	<u>–</u>	<u>–</u>

The bank borrowings represented variable-rate bank borrowings from a bank located in Hong Kong which is repayable on demand or repayable within one year and hence classified as current liabilities. The bank borrowings are denominated in HK\$.

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

- (a) the life insurance contracts as set out in note 15 as at 31 March 2015 and 2016 and 30 September 2016;
- (b) personal guarantees provided by Mr. Raymond Liu and Mr. Ashley Lo as at 31 March 2015 and 2016 and 30 September 2016; and
- (c) guarantee by the Hong Kong Mortgage Corporation Limited up to HK\$1,500,000 as at 31 March 2015.

The personal guarantee provided by Mr. Raymond Liu and Mr. Ashley Lo on securing certain banking facilities will be released and replaced by the corporate guarantee provided by our Company upon listing.

	Minimum lease payments			Present value of minimum lease payments		
	At 31 March		At 30 September	At 31 March		At 30 September
	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:						
Within one year	273	350	304	222	339	296
In more than one year but not more than two years	201	151	19	192	146	19
In more than two years but not more than five years	<u>137</u>	<u>-</u>	<u>-</u>	<u>133</u>	<u>-</u>	<u>-</u>
	611	501	323	547	485	315
Less: Future finance charges	<u>(64)</u>	<u>(16)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u><u>547</u></u>	<u><u>485</u></u>	<u><u>315</u></u>	547	485	315
Less: Amount due for settlement within one year				<u>(222)</u>	<u>(339)</u>	<u>(296)</u>
Amount due for settlement after one year				<u><u>325</u></u>	<u><u>146</u></u>	<u><u>19</u></u>

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

25. DEFERRED TAX ASSETS

The followings are the deferred tax assets arising from tax losses recognised by the Group and movement thereon during the Track Record Periods.

	Total <i>HK\$'000</i>
At 1 April 2014 and 31 March 2015	–
Credit to profit or loss	<u>294</u>
At 31 March 2016 and 30 September 2016	<u><u>294</u></u>

26. PROVISIONS

During the year ended 31 March 2016, the Group has distributed certain IT securities products without obtaining the relevant sales licenses in the PRC. Pursuant to the relevant PRC law, distribution of products defined as the “special hardware or software products for protecting the security of computer information system” pursuant to the relevant laws should only be made after the distributor has obtained the relevant sales licence. If the sales licence is not obtained prior to distribution, the penalty for the distributor is the confiscation of illegal proceeds (i.e. sales from the products without obtaining sales license less related cost of products) and a fine up to 3 times of the illegal proceeds. The Group has made sales of HK\$668,000 and resulted gross profit of HK\$456,000 on the IT securities products without obtaining the relevant sales licences during the year ended 31 March 2016 and a provision of the penalty charge of HK\$1,826,000 is recognised to the profit or loss in the same year.

27. SHARE CAPITAL**The Group**

The share capital as at 1 April 2014 represented the share capital of Edvance Technology (HK). The share capital as at 31 March 2015 and 2016 represented the share capital of Best Gear and the share capital as at 30 September 2016 represented the share capital of the Company and Best Gear.

The Company

On 7 July 2016, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was allotted and issued to first subscriber and transferred to Success Vision at nominal consideration. On 23 March 2017, additional 99 shares of the company were allotted and issued.

28. RETIREMENT BENEFIT SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the combined statements 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 2015 and 2016 and six months ended 30 September 2016, the total contribution to retirement benefit schemes charged to the combined statement of profit or loss and other comprehensive income represents contributions paid or payable to these schemes by the Group at the rate specified in the rules of these schemes.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Periods.

The capital structure of the Group represents bank borrowings, amounts due to related parties and amounts due to directors, obligations under finance leases, and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company
	As at 31 March		As at	As at
	2015	2016	30 September	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	31,769	62,203	63,046	–
Financial liabilities				
Amortised cost	20,539	41,648	33,666	6,431
Derivative financial instruments	–	303	159	–

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits for life insurance contracts, bank balances and cash, trade and other payables and accruals, derivative financial instruments, bank borrowings, obligations under finance leases, amounts due to related parties as well as amounts due from/to directors. The Company's major financial instruments include accruals and amount due to Best Gear. 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 24), fixed-rate amount due to Success Vision (note 16) and interest-free amounts due to Xceed and directors (note 16 and 19, respectively). 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, 15 and 23, respectively). Bank borrowings are concentrated on fluctuation on the bank's HK\$ and US\$ BLR.

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate bank borrowings. The analysis is prepared assuming bank borrowings outstanding at the end of each reporting period were outstanding for the whole year/period. Each year/period, 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 for the year/period 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/period.

	Year ended 31 March		Six months ended
	2015	2016	30 September 2016
	HK\$'000	HK\$'000	HK\$'000
Decrease in post-tax profit for the year/period	<u>13</u>	<u>34</u>	<u>14</u>

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 two years ended 31 March 2015 and 2016 and six months ended 30 September 2016. Accordingly, no sensitivity analysis on interest rate risk is presented.

Currency risk

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

	<i>Denominated in US\$ HK\$'000</i>	<i>Denominated in SG\$ HK\$'000</i>
As at 31 March 2015		
Trade and other receivables	894	227
Deposits for life insurance contracts	2,753	–
Bank balances and cash	1,209	73
Trade and other payables	<u>(6,422)</u>	<u>–</u>
	<i>Denominated in US\$ HK\$'000</i>	<i>Denominated in SG\$ HK\$'000</i>
As at 31 March 2016		
Trade and other receivables	2,127	1,161
Deposits for life insurance contracts	11,862	–
Bank balances and cash	821	138
Trade and other payables	(22,276)	–
Bank borrowings	(6,351)	–
Derivative financial instruments	<u>(303)</u>	<u>–</u>
	<i>Denominated in US\$ HK\$'000</i>	<i>Denominated in SG\$ HK\$'000</i>
As at 30 September 2016		
Trade and other receivables	367	455
Deposits for life insurance contracts	11,994	–
Bank balances and cash	124	182
Trade and other payables	(16,076)	–
Bank borrowings	(5,871)	–
Derivative financial instruments	<u>(159)</u>	<u>–</u>

The Group has entered into a foreign exchange forward contract as set out in note 22 to reduce foreign exchange exposure arising on the purchase from external parties. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

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

The change in exchange rate of HK\$ against US\$ has not been considered in the sensitivity analysis as HK\$ is pegged to US\$. In the opinion of the directors of the Company, the Group does not expect any significant movements between the exchange rate of US\$ against HK\$. Hence, only sensitivity of the change in foreign exchange rate of HK\$ against SG\$ is considered. The following table details the Group's sensitivity to a 5% increase and decrease in SG\$ against HK\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding SG\$ denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where SG\$ strengthens 5% against HK\$. For a 5% weakening of SG\$ against HK\$, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Six months ended		
	Year ended 31 March		30 September
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in post-tax profit for the year/period:			
SG\$	<u>13</u>	<u>54</u>	<u>13</u>

Credit risk

As at 31 March 2015 and 2016 and 30 September 2016, 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 statements 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 payment 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.

Liquidity tables

The Group

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 3 months to			2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31 March 2015 HK\$'000
			3 months	1 year	1-2 years HK\$'000			
As at 31 March 2015								
Trade and other payables and accruals	N/A	-	15,472	-	-	-	15,472	15,472
Amounts due to related parties	N/A	100	-	-	-	-	100	100
Amounts due to directors	N/A	1,950	-	-	-	-	1,950	1,950
Bank borrowings - variable-rate	5.60%	3,017	-	-	-	-	3,017	3,017
Obligations under finance leases								
- fixed-rate	3.86%	-	122	151	201	137	611	547
		<u>5,067</u>	<u>15,594</u>	<u>151</u>	<u>201</u>	<u>137</u>	<u>21,150</u>	<u>21,086</u>
As at 31 March 2016								
Trade and other payables and accruals	N/A	-	29,847	-	-	-	29,847	29,847
Amounts due to related parties	N/A	200	-	-	-	-	200	200
Amounts due to directors	N/A	3,480	-	-	-	-	3,480	3,480
Bank borrowings - variable-rate	3.99%	8,121	-	-	-	-	8,121	8,121
Obligations under finance leases								
- fixed-rate	5.02%	-	89	261	151	-	501	485
Provisions	N/A	1,826	-	-	-	-	1,826	1,826
		<u>13,627</u>	<u>29,936</u>	<u>261</u>	<u>151</u>	<u>-</u>	<u>43,975</u>	<u>43,959</u>

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 3 months 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 30 September 2016 HK\$'000
As at 30 September 2016								
Trade and other payables and accruals	N/A	-	20,928	-	-	-	20,928	20,928
Amounts due to related parties	5%	-	6,075	-	-	-	6,075	6,000
Bank borrowings - variable-rate	3.64%	6,738	-	-	-	-	6,738	6,738
Obligations under finance leases - fixed-rate	5.02%	-	89	215	19	-	323	315
Provisions	N/A	1,826	-	-	-	-	1,826	1,826
		<u>8,564</u>	<u>27,092</u>	<u>215</u>	<u>19</u>	<u>-</u>	<u>35,890</u>	<u>35,807</u>

The Company

	Weighted average effective interest rate % per annum	On demand HK\$'000	Less than 3 months 3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 30 September 2016 HK\$'000
As at 30 September 2016								
Trade and other payables and accruals	N/A	-	165	-	-	-	165	165
Amount due to Best Gear	N/A	6,266	-	-	-	-	6,266	6,266
		<u>6,266</u>	<u>165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,431</u>	<u>6,431</u>

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 2015 and 2016 and 30 September 2016, bank borrowings with a repayment on demand clause is included in the "On demand" time band in the above maturity analysis. As at 31 March 2015 and 2016 and 30 September 2016, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$3,017,000, HK\$8,121,000 and HK\$6,738,000 respectively. 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 amount HK\$'000
							Bank borrowings:	
As at 31 March 2015	5.60%	1,079	1,410	626	-	-	3,115	3,017
As at 31 March 2016	3.99%	1,339	1,618	1,160	3,481	1,272	8,870	8,121
As at 30 September 2016	3.64%	<u>1,160</u>	<u>870</u>	<u>1,160</u>	<u>3,481</u>	<u>692</u>	<u>7,363</u>	<u>6,738</u>

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 2016 and 30 September 2016 respectively. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives assuming the bank will not exercise its rights to terminate the derivative contract.

	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount of derivative financial instruments HK\$'000	
					Total undiscounted cash flows HK\$'000	Total carrying amount of derivative financial instruments HK\$'000
As at 31 March 2016						
Derivative - net cash outflow	<u>19</u>	<u>84</u>	<u>121</u>	<u>224</u>	<u>303</u>	
As at 30 September 2016						
Derivative - net cash outflow	<u>19</u>	<u>84</u>	<u>65</u>	<u>168</u>	<u>159</u>	

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	Fair value as at 31 March		Fair value as at 30 September		Fair value hierarchy	Valuation technique	Key inputs
	2015	2016	2016	2016			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Derivative financial instruments	-	303	159	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate	

There were no transfers between Level 1 and 2 during Track Record Periods.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company estimate the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

31. OPERATING LEASE COMMITMENTS

As at 31 March 2015 and 2016 and 30 September 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March		As at
	2015	2016	30 September 2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	2,273	2,500	6,347
After one year but within five years	<u>1,703</u>	<u>912</u>	<u>8,880</u>
	<u>3,976</u>	<u>3,412</u>	<u>15,227</u>

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

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group had entered into the following related party transactions:

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(unaudited)	
Consultancy fees paid/payable to Xceed	560	1,960	980	–
Service income received/receivable from Xceed	–	168	43	–
Rental expense paid/payable to I Productions Limited (“IProductions”) (note i)	420	420	210	–
Interest paid to Success Vision	–	–	–	88
Services fees paid/payable to Columns Asia Limited (“Columns Asia”) (note ii)	–	–	–	156

Notes:

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

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

Total operating lease commitment of the Group in respect of the rental of director's quarter with IProductions amounted to HK\$35,000, HK\$35,000 and HK\$35,000 as at 31 March 2015 and 2016 and 30 September 2016, respectively.

As represented by the directors of the Company, the above related party transactions will be terminated upon the listing of the Company except for the transactions with Columns Asia.

Compensation of key management personnel

The remuneration of the directors and other members of key management during the Track Record Periods were as follows:

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	5,419	8,258	3,465	4,123
Post-employment benefits	<u>206</u>	<u>372</u>	<u>182</u>	<u>202</u>
	<u>5,625</u>	<u>8,630</u>	<u>3,647</u>	<u>4,325</u>

33. MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests			Profit (loss) allocated to non-controlling interests				Accumulated non-controlling interests		
	As at 31 March		As at 30 September	Year ended 31 March		Six months ended 30 September		As at 31 March		As at 30 September
	2015	2016	2016	2015	2016	2015	2016	2015	2016	2016
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Best Gear	16%	16%	24%	437	2,284	1,098	1,369	339	1,931	4,594
Edvance Technology (HK)	-	-	-	104	-	-	-	-	-	-
Edvance Consulting (HK)	30%*	-	-	(110)	(8)	136	-	(131)	-	-
Edvance Technology (Singapore)	49%*	-	-	(1,074)	426	(219)	-	(1,236)	-	-
				<u>(643)</u>	<u>2,702</u>	<u>1,015</u>	<u>1,369</u>	<u>(1,028)</u>	<u>1,931</u>	<u>4,594</u>

* *Edvance Consulting (HK) and Edvance Technology (Singapore) are 70% and 51%, respectively, owned by Edvance Technology (HK) as at 31 March 2015.*

Before 7 October 2014, the Controlling Shareholders owned 97% equity interest in Edvance Technology (HK). On 7 October 2014, the Controlling Shareholders and Mr. TL Lam, the non-controlling shareholder of Edvance Technology (HK) before 7 October 2014, transferred their entire interests in Edvance Technology (HK) to Edvance Holdings, which is wholly-owned by Best Gear. Upon the completion of the transfer, Edvance Technology (HK) is wholly-owned by Edvance Holdings. At the same time, Controlling Shareholders' interest in Edvance Technology (HK) through Best Gear was decreased from 97% to 84%.

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

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\$1,447,000 on the proportionate share of net assets attributable to the non-controlling interests of Best Gear is debited to other reserves upon the disposal.

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

	Year ended 31 March		Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(Unaudited)	
Revenue	125,459	176,999	84,496	102,062
Other income and other gains and losses, net	(113)	(203)	(41)	370
Expenses	(118,624)	(158,836)	(75,511)	(93,396)
Taxation	<u>(1,644)</u>	<u>(3,268)</u>	<u>(2,167)</u>	<u>(1,674)</u>
Profit for the year/period	5,078	14,692	6,777	7,362
Other comprehensive income for the year/period	<u>73</u>	<u>(50)</u>	<u>(116)</u>	<u>(289)</u>
Total comprehensive income for the year/period	<u><u>5,151</u></u>	<u><u>14,642</u></u>	<u><u>6,661</u></u>	<u><u>7,073</u></u>
Profit for the year/period attributable to:				
– owners of Best Gear	5,721	11,990	5,762	5,993
– non-controlling interests of Best Gear	437	2,284	1,098	1,369
– non-controlling interests of Edvance Consulting (HK), Edvance Technology (Singapore) and Edvance Technology (HK)	<u>(1,080)</u>	<u>418</u>	<u>(83)</u>	<u>–</u>
	<u><u>5,078</u></u>	<u><u>14,692</u></u>	<u><u>6,777</u></u>	<u><u>7,362</u></u>

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total comprehensive income for the year/period attributable to:			(Unaudited)	
– owners of Best Gear	5,781	11,948	5,665	5,760
– non-controlling interests of Best Gear	450	2,276	1,079	1,313
– non-controlling interests of Edvance Consulting (HK), Edvance Technology (Singapore) and Edvance Technology (HK)	<u>(1,080)</u>	<u>418</u>	<u>(83)</u>	<u>–</u>
	<u>5,151</u>	<u>14,642</u>	<u>6,661</u>	<u>7,073</u>
			As at	
	As at 31 March	2016	30 September	2016
	2015	2016	2016	
	HK\$'000	HK\$'000	HK\$'000	
Total assets	63,561	106,214	110,648	
Total liabilities	<u>(62,802)</u>	<u>(94,146)</u>	<u>(91,508)</u>	
	<u>759</u>	<u>12,068</u>	<u>19,140</u>	
Equity attributable to owners of Best Gear	1,787	10,137	14,546	
Non-controlling interests of Best Gear	(1,367)	1,931	4,594	
Non-controlling interests of Edvance Consulting (HK) and Edvance Technology (Singapore)	<u>339</u>	<u>–</u>	<u>–</u>	
	<u>759</u>	<u>12,068</u>	<u>19,140</u>	

	Year ended 31 March		Six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash inflow (outflow) from operating activities	6,103	12,580	(4,473)	52
Net cash outflow from investing activities	(1,510)	(9,034)	(47)	(3,681)
Net cash (outflow) inflow from financing activities	<u>(2,705)</u>	<u>2,135</u>	<u>6,292</u>	<u>716</u>
Net cash inflow (outflow)	<u>1,888</u>	<u>5,681</u>	<u>1,772</u>	<u>(2,913)</u>

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

	Year ended 31 March		Six months ended 30 September
	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,308	1,564	1,226
Expenses	<u>(1,675)</u>	<u>(1,589)</u>	<u>(773)</u>
(Loss) profit and total comprehensive (expense) income for the year/period	<u>(367)</u>	<u>(25)</u>	<u>453</u>
Loss and total comprehensive (expense) income for the year/period attributable to:			
– owners of Edvance Consulting (HK)	(257)	(17)	317
– non-controlling interests of Edvance Consulting (HK)	<u>(110)</u>	<u>(8)</u>	<u>136</u>
	<u>(367)</u>	<u>(25)</u>	<u>453</u>

	As at 31 March		
	2015	2016	
	HK\$'000	HK\$'000	
Current assets	583	324	
Current liabilities	<u>(1,017)</u>	<u>(783)</u>	
	<u>(434)</u>	<u>(459)</u>	
Equity attributable to owners of Edvance Consulting (HK)	(303)	(459)	
Non-controlling interests of Edvance Consulting (HK)	<u>(131)</u>	<u>—</u>	
	<u>(434)</u>	<u>(459)</u>	
			Six months
			ended 30
	Year ended 31 March		September
	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)
Net cash inflow from operating activities	40	216	53
Net cash outflow from investing activities	—	(500)	(262)
Net cash inflow from financing activities	<u>100</u>	<u>—</u>	<u>—</u>
Net cash inflow (outflow)	<u>140</u>	<u>(284)</u>	<u>(209)</u>

	Year ended 31 March		Six months ended 30 September
	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000
Net cash (outflow) inflow from operating activities	(2,518)	(667)	533
Net cash inflow from financing activities	<u>2,661</u>	<u>906</u>	<u>963</u>
Net cash inflow	<u><u>143</u></u>	<u><u>239</u></u>	<u><u>1,496</u></u>

34. FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

Since the year ended 31 March 2016, the Group has entered into the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) with a bank. The following recognised financial asset and financial liabilities are not offset in the combined statements of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Details are set out below.

At 31 March 2016

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

At 30 September 2016

	Gross/net amounts presented on statements of financial position HK\$'000	Related amount not set off in statements of financial position		
		Financial instrument HK\$'000	Cash collateral received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
– Bank balances	<u>3,121</u>	<u>(159)</u>	<u>–</u>	<u>2,962</u>
Recognised financial liabilities:				
– Derivative financial instruments	<u>(159)</u>	<u>–</u>	<u>159</u>	<u>–</u>

35. NON-CASH TRANSACTIONS

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

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group and detailed as below.

On 23 March 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed “Resolutions in writing of the shareholders passed on 23 March 2017” in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company was increased to HK\$20,000,000 by the creation of 1,990,000,000 new shares of HK\$0.01 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed “Share Option Scheme” in Appendix IV to the Prospectus; and

- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$7,499,999 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 749,999,900 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 23 March 2017.

(C) DIRECTORS' EMOLUMENTS

Under the arrangement presently in force, the aggregate amount of directors' remuneration (excluding discretionary bonus) for the year ending 31 March 2017 is estimated to be approximately HK\$6,900,000.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company and its subsidiaries in respect of any period subsequent to 30 September 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2016 and the six months ended 30 September 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in connection with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group as if the Share Offer had taken place on 30 September 2016.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 per Share HK\$ (Note 3)
Based on Offer Price of HK\$0.34 per Offer Share	11,994	63,350	75,344	0.075
Based on Offer Price of HK\$0.30 per Offer Share	11,994	53,650	65,644	0.066

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 250,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.30 and HK\$0.34 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses to be incurred by the Group since 1 October 2016.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2016 per Share is calculate based on 1,000,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 30 September 2016 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤**35/F One Pacific Place
88 Queensway
Hong Kong**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Edvance International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Edvance International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets as at 30 September 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 March 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Offer") on the Group's financial position as at 30 September 2016 as if the Offer had taken place at 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 March 2016 and the six months ended 30 September 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2017

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 23 March 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such

separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall

also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 7 July 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated under the Companies Law in the Cayman Islands, as an exempted company with limited liability on 7 July 2016.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Companies Law and to our constitution which comprises the Memorandum and Articles of our Company. A summary of various sections of the Memorandum and Articles of our Company and certain relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

On 5 September 2016, our Company has been registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Our Company has established our principal place of business in Hong Kong at 39th Floor, Monterey Plaza, 15 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong.

In connection with such registration requirements of the Companies Ordinance, our Company has appointed Mr. John Von of Flat C, 20/F, Carmel Heights Belair Gardens, Shatin, New Territories, Hong Kong as our agent for acceptance of service on behalf of our Company in Hong Kong.

2. Changes in authorised and issued share capital of our Company

The following sets out the changes in the authorised and issued share capital of our Company:

- (i) As at the date of incorporation of our Company on 7 July 2016, its authorised share capital was HK\$100,000 divided into 10,000,000 Shares having a par value of HK\$0.01 each.
- (ii) On 23 March 2017, the authorised share capital of our 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.
- (iii) Immediately following completion of the Share Offer and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or which may be issued upon exercise of any option which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed “3. Resolutions in writing of the Shareholders passed on 23 March 2017” and “4. Group Reorganisation of our Group” of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders passed on 23 March 2017

By resolutions in writing of our Shareholders passed on 23 March 2017:

- (i) the Memorandum of Association was adopted with immediate effect;
- (ii) the Articles of Association were conditionally adopted with effect from Listing;
- (iii) conditional upon the conditions as stated in the section headed “Structure and conditions of the Share Offer” of this prospectus being satisfied or otherwise waived:
 - (a) the Share Offer was approved, and that our Directors were authorised to allot and issue the Offer Shares and any Shares which may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;
 - (b) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares under the Share Offer, our Directors were authorised to capitalise HK\$7,499,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,999,900 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 23 March 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company (the Capitalisation Issue);
 - (c) the rules of the Share Option Scheme was approved and adopted, and our Directors were authorised to grant options thereunder, and to allot and issue such number of Shares pursuant to the exercise of the subscription rights attached to such options, and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to allot, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options under the Share Option Scheme, Shares with an aggregate nominal value not exceeding: (aa) 20% of the aggregate nominal value of the share capital in issue of our Company immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option

Scheme, and (bb) the aggregate number of share capital of our Company which we may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (iv) below; such mandate to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution of our Shareholders at a general meeting revoking, varying or renewing such mandate;

- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital in issue of our Company immediately following completion of the Share Offer and the Capitalisation Issue (excluding such Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution of our Shareholders at a general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate as stated in paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital in issue of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the authority granted as stated in paragraph (iv) above.

4. Reorganisation of our Group

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

5. Changes in share capital of our subsidiaries

Subsidiaries of our Company are listed in the Accountant’s Report set out in Appendix I to this prospectus.

Save as set out above and disclosed in the section headed “History, Reorganisation and Corporate Structure” of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities. Subject to certain restrictions, the GEM Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange, the most important of which are summarised below.

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of a specific approval of a specific transaction, or by way of a general mandate.

Note: Pursuant to the written resolutions passed by our Shareholders on 23 March 2017, a general unconditional mandate has been given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital in issue of our Company immediately following completion of the Share Offer and the Capitalisation Issue (excluding such Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme) (the "Share Repurchase Mandate"). The Share Repurchase Mandate will expire (i) at the conclusion of the next annual general meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest.

(ii) Source of funds

Any repurchases of securities of the Company must be financed out of funds legally available for the purpose in accordance with the GEM Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

Repurchases of Shares will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(iv) Funding of repurchase

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (a) out of profits of our Company; or (b) out of the proceeds of a fresh issue of Shares made for the purpose of repurchase; or (c) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; or, (d) in the case of any premium payable on a purchase over the fair value of the shares to be repurchased must be provided for, out of either or both the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Articles and the Companies Law, out of capital.

Our Directors do not propose to exercise the Share Repurchase Mandate to such an extent that would have a material adverse effect on the working capital position of our Company or the gearing levels which, in the opinion of our Directors, are appropriate for our Company from time to time.

(v) Trading restrictions

Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request. Our Company also shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(vi) Status of repurchased shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, a company's repurchased shares shall be treated as cancelled on repurchase and the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced as a result of the repurchase.

(vii) Suspension of repurchases

Pursuant to the GEM Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the GEM Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required by the GEM Listing Rules); and (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(viii) Procedural and reporting requirements

As required by the GEM Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(ix) General

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), have any present intention, if the Share Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Share Repurchase Mandate.

Our Company is prohibited from knowingly purchasing securities on the Stock Exchange from a core connected person (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his/her securities to our Company.

No core connected persons (as defined in the GEM Listing Rules) of the Company have notified us of intention to sell securities to our Company and such persons have undertaken not to sell any such securities to our Company, if the Share Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts of our Group

The contracts below (not being contracts entered into in the ordinary course of business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are, or may be, material:

- (i) the Deed of Indemnity;
- (ii) the Deed of Non-Competition;
- (iii) the Reorganisation Deed; and
- (iv) the Public Offer Underwriting Agreement.

2. Summary of intellectual property rights of our Group**(i) Trademarks**

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademarks in Hong Kong:

Item	Trademark	Registration Number	Registered Owner	Class	Validity
1.		303808936	Edvance Holdings	42, 45	16 June 2016 – 15 June 2026

(ii) Domain Name

Our Group has registered the following domain name as at the Latest Practicable Date:

Item	Domain Name	Registrant	Expiry Date
1.	www.edvancesecurity.com	Edvance Technology (HK)	27 March 2019
2.	www.edvance.com.hk	Edvance Technology (HK)	11 September 2021

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(i) *Interests of the Directors and chief executives in our share capital and our associated corporations following the Share Offer*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the share options which may be granted under the Share Option Scheme), the interests of the Directors and chief executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Name of Director	Nature of Interest	Relevant company (including associated corporation)	Number and class of securities ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Mr. Raymond Liu	Interest of a controlled corporation ⁽³⁾	our Company	570,000,000 (L)	57%
Mr. Ashley Lo	Interest of a controlled corporation ⁽³⁾	our Company	570,000,000 (L)	57%
Dr. Kenny Tang	Interest of a controlled corporation ⁽⁴⁾	our Company	75,000,000 (L)	7.5%
Mr. John Von	Interest of a controlled corporation ⁽⁵⁾	our Company	60,000,000 (L)	6%
Mr. TL Lam	Interest of a controlled corporation ⁽⁶⁾	our Company	22,500,000 (L)	2.25%
Mr. Francis Lee	Interest of a controlled corporation ⁽⁷⁾	our Company	22,500,000 (L)	2.25%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the Shares.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme).
- (3) As at the Latest Practicable Date, Success Vision is beneficially owned as to 59.21% by Mr. Raymond Liu and 40.79% by Mr. Ashley Lo, respectively. Each of Mr. Raymond Liu and Mr. Ashley Lo is deemed to be interested in the 570,000,000 Shares held by Success Vision.

- (4) As at the Latest Practicable Date, Earning Gear is wholly owned by Dr. Kenny Tang and is therefore deemed to be interested in the 75,000,000 Shares held by Earning Gear under the SFO.
- (5) As at the Latest Practicable Date, Mind Bright is wholly owned by Mr. John Von and is therefore deemed to be interested in the 60,000,000 Shares held by Mind Bright under the SFO.
- (6) As at the Latest Practicable Date, Linking Vision is wholly owned by Mr. TL Lam and is therefore deemed to be interested in the 22,500,000 Shares held by Linking Vision under the SFO.
- (7) As at the Latest Practicable Date, Pioneer Marvel is wholly owned by Mr. Francis Lee and is therefore deemed to be interested in the 22,500,000 Shares held by Pioneer Marvel under the SFO.

(ii) Interests and/or short positions of the substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Director of our Company are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be allotted and issued upon the exercise of share options which may be granted under the Share Option Scheme, and assuming that the obligations of the Underwriters to subscribe and/or purchase, and procure the subscription and/or purchase of, Shares under the Underwriting Agreements will terminate on the Listing Date and none of the Underwriters is required to subscribe and/or purchase, and/or procure the subscription and/or purchase of Shares thereunder on or prior to the Listing Date), other than a Director of our Company whose interests are disclosed under paragraph (a) above, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

(iii) Particulars of Directors’ service contracts and letter of appointment

Each of our Executive Directors has entered into a service contract with our Company for an initial term of three (3) years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of the Company. The Executive Directors may from time to time be entitled to share options. The office of an Executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of the Executive Director may be terminated by either party by giving at least one month’s written notice to the other.

Our non-executive Director and each of our independent non-executive Directors has entered into a letter of appointment with our Company, respectively. Our non-executive Director's appointment an initial term of three (3) years, commencing from 21 November 2016, and each of our non-executive Directors' appointment is for an initial term of three (3) years, commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of the Company. The non-executive Director and independent non-executive Directors may from time to time be entitled to share options. The office of a non-executive Director or an independent non-executive (as the use may be) is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of the independent non-executive Directors may be terminated by either party by giving at least three month's written notice to the other. The appointment of our non-executive Director may be terminated by neither party by giving at least three months' written notice to the other.

Save as disclosed above, none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

(iv) Remuneration of Directors

- (a) The aggregate emoluments paid by our Group to our Directors in respect of FY2015, FY2016 and 1H2017 were approximately HK\$3.9 million, HK\$5.2 million and HK\$2.6 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonuses) payable by our Group to our Directors (including our non-executive Directors and independent non-executive Directors (in their respective capacity as directors)) for the year ending 31 March 2017 are expected to be approximately HK\$6.9 million.
- (c) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of FY2015, FY2016 and 1H2017 as (1) an inducement to join or upon joining our Company; or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of FY2015, FY2016 and 1H2017.
- (e) The remuneration of our Directors was determined by reference to their qualification, experience and duties and responsibilities with our Group and prevailing market rate.

(v) *Agency fees or commission*

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

(vi) *Related party transactions*

Please see Note 32 to the Accountant's Report in Appendix I to this prospectus for details of the related party transactions. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

2. Disclaimers

Save as disclosed in this prospectus:

- (i) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code;
- (ii) none of the Directors nor experts referred to in the paragraph headed “– E. Other information – 8. Qualifications of experts” in this appendix as any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of the Directors or experts referred to in the paragraph headed “– E. Other information – 8. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iv) none of the Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

- (v) taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalisation Issue, none of the Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in the Shares or underlying Shares of us which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (vi) none of the experts referred to in the paragraph headed “– E. Other information – 8. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (vii) so far as is known to the Directors, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest clients or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by a resolution of our Shareholders passed on 23 March 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

1. Purposes of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives and to recognise and acknowledge the contributions which the Eligible Participants (defined in paragraph 2 below) have made or may make to our Group. The Share Option Scheme will provide the Eligible Participants with the opportunity to own a personal stake in our Company with a view to motivating the Eligible Participants and/or attracting and retaining or otherwise maintaining on-going relationship with the Eligible Participants whose contributions are, will be or are likely to be beneficial to the long term growth of our Group.

2. Who may join

Our Directors (which include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options (the “**Options**”) to subscribe for Shares:

- (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or any entity in which our Company or any subsidiary holds any interest (“**Invested Entity**”);
- (ii) any discretionary trust the discretionary objects of which include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or any Invested Entity; and
- (iii) any corporation wholly-owned by any person mentioned in clause (i) above.

The eligibility of any of the above persons to the grant of any Option shall be determined by the Board from time to time on the basis of his contribution (whether past, present or future) to the development and growth of our Group. Our Company shall be entitled to cancel any Option granted to grantee but not exercised if such grantee fails to meet the eligibility criteria determined by our Board after an Option is granted but before it is exercised.

3. Price of Shares

The subscription price per Share under the Share Option Scheme (the “**Subscription Price**”) shall be a price determined by our Directors, but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a Business Day (as defined below);
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five Business Days immediately preceding the date of the offer of grant; and
- (iii) the nominal value of a Share.

For the purpose of calculating the Subscription Price under this paragraph, where our Company has been listed for less than five Business Days, the new issue price shall be used as the closing price for any Business Day falling within the period before listing.

A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option.

4. Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options (exclusive of options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, unless our Shareholders' approval has been obtained as described by the next two paragraphs (“**Scheme Mandate Limit**”).

Our Company may seek approval of our Shareholders in general meeting for refreshing the Scheme Mandate Limit such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not, in aggregate exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. In such a case, our Company shall issue a circular to its shareholders containing the information as required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme for the time being of our Company shall not, in aggregate, exceed such number of Shares as equals 30% of the Shares in issue from time to time. No Option may be granted under this Share Option Scheme or any other share option scheme of our Company if it would result in the above-mentioned 30% limit being exceeded.

5. Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the issued Shares from time to time (“**Individual Limit**”).

Notwithstanding the above, where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate exceeding 1% of our Shares in issue as at the date of the further grant, such further grant must be separately approved by our Shareholders in general meeting with such Eligible Participant and his close associates or his associates if the Eligible Participant is a connected person abstaining from voting.

The number and terms (including the Subscription Price) of the Options to be granted to such Eligible Participant shall be fixed before Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date on which an offer for the grant of options is made to an Eligible Participant, which must be a business day (except Saturdays, Sundays and public holidays) on which the Stock Exchange is open for dealing in securities listed thereon ("**Business Day**") for the purpose of calculating the Subscription Price.

In such a case, our Company shall issue a circular to our Shareholders containing, amongst other terms, the proposal for further grant, the identity of such Eligible Participant, the number and the terms of the Options to be granted (and options previously granted to such Eligible Participant) and such other information as required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

6. Granting options to connected persons

Any grant of an option under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of such option).

Where an option is proposed to be granted to a Substantial Shareholder of our Company or an independent non-executive Director, or any of their respective associates, and where the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person under the Share Option Scheme (including Options exercised, cancelled and outstanding) in the 12-month period up to and including the date on which an offer for the grant of options is made to an Eligible Participant ("**Offer Date**") in respect of such proposed Option:

- (i) represent in aggregate over 0.1% of the Shares in issue as at such Offer Date, and
- (ii) at such Offer Date have an aggregate value in excess of HK\$5,000,000 based on the closing price of the Shares at such Offer Date,

such proposed grant will be subject to the approval by our Shareholders at a general meeting. The grantee, his/her associates and all other connected persons of our Company must abstain from voting in favour at such general meeting.

Our Company shall issue a circular to our Shareholders explaining the proposed grant, containing:

- (i) the details of the number and terms (including the Subscription Price) of the Option to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting, and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of such Option) on whether or not to vote in favour of the proposed grant; and
- (iii) all the information required under the GEM Listing Rules.

The date of the Board meeting for proposing such grant is to be taken as the Offer Date for the purpose of calculating the Subscription Price. Our Company must comply with the requirements under Rules 17.47A, 17.47B and 17.47C of the GEM Listing Rules.

The requirements for the grant of an Option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

7. Restrictions on times of grant of options

No offer for the grant of Options (the “Offer”) shall be made by the Board after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the GEM Listing Rules (as the case may be)) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted.

8. Exercise of options

An Offer shall remain open for acceptance by an Eligible Participant for a period of 21 days from the Offer Date. An Offer may not be accepted by an Eligible Participant who ceases to be an Eligible Participant after an Offer is made to him but before his acceptance. No Offer shall be capable of or open for acceptance after the date that falls on expiry of 10 years commencing on the date of which the Share Option Scheme is adopted (the “**Termination Date**”).

An Offer shall be made to an Eligible Participant by letter containing the following:

- (i) the name, address and (if appropriate) position of the Eligible Participant;
- (ii) the number of Shares in respect of which the Offer is made and the Subscription Price for such Shares;
- (iii) the period within which the Shares under the Option must be taken up (“**Option Period**”) in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares comprised in the Offer;
- (iv) the last date by which the Offer must be accepted;
- (v) the procedures for acceptance;
- (vi) the specific conditions, restrictions or limitations (if any) and such other terms and conditions of the Offer as may be imposed by the Board as are not inconsistent with the Share Option Scheme; and
- (vii) a statement requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

To accept the Offer, the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof must be received by our Company at its principal place of business in Hong Kong within the 21-day period mentioned above. Such payment shall in no circumstances be refundable. Upon acceptance, the Option shall be deemed to have been granted and to have taken effect on the Offer Date.

Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent the Offer is not accepted within 21 days from the Offer Date in the manner indicated above, it will be deemed to have been irrevocably declined.

The Board may at its discretion when making an Offer impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in this Share Option Scheme as it may think fit (to be stated in the letter containing the Offer), including (without prejudice to the generality of the foregoing) conditions, restrictions or limitations relating to the achievement of operating or financial targets, the satisfactory performance by an Eligible Participant, the time when the right to exercise the Option in respect of all or some of the Shares the subject of the Option will vest or the minimum period during which the Option must be held by the grantee. Our Company shall be entitled to cancel any Option granted but not exercised if there is a breach of any of such conditions, restrictions or limitations by the grantee.

9. Time of exercise of options and duration of the Share Option Scheme

- (i) An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during an Option Period and prior to the expiry of 10 years from the date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No further Options may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (“**the Adoption Date**”);

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date;

- (ii) If the grantee (being an individual) ceasing to be an Eligible Participant by reason of his death before exercising his Option in full, such Option Period shall be deemed to expire six months after the date of such grantee’s death and, if none of the events under this paragraph existed with respect to such grantee at the time of his death, his personal representative(s) may exercise such Option (to the extent not already exercised) in whole or in part in accordance with the terms and conditions of the Share Option Scheme within such period of six months, provided that where any of the events set out in this paragraph occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the Option within such of the various periods, and any Option not so exercised shall lapse and determine at the expiry of such six months or any applicable shorter period set out in this paragraph;
- (iii) If the grantee ceasing to be an Eligible Participant for any reason other than as described in section (ii) of this paragraph, then all his Options shall lapse and determine on the date he so ceases (to the extent not already exercised), unless the Board gives notice in writing to the grantee prior to the date of the grantee ceasing to be an Eligible Participant that his Option (to the extent not exercised) may be exercised at any time within such period as set out in the notice from the Board;

- (iv) If in consequence of any general offer made to all the Shareholders (or all such Shareholders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) (including an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of our Company) or otherwise, and such offer becomes or is declared unconditional, then our Directors shall as soon as practicable thereafter notify every grantee accordingly and each grantee shall be entitled at any time within the period of 21 days of the notice given by the offeror, to exercise all of his outstanding Option, and such Option shall, to the extent not having been exercised, lapse and determine upon the expiry of such period;
- (v) If a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution for the voluntary winding up of our Company, our Company shall forthwith give notice thereof to every grantee and the grantee shall be entitled by notice in writing to our Company (such notice to be received by our Company not later than four Business Days prior to the proposed Shareholders' meeting) exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and our Company shall as soon as possible and in any event not later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise and all Options shall, to the extent not having been exercised, lapse and determine;
- (vi) If a compromise or arrangement between our Company and our Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to every grantee (together with a notice of the existence of this paragraph) on the same day as it despatches to each Shareholder or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled by notice in writing to our Company accompanied by the payment for the Subscription Price in respect of his Option (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise his Option (to the extent not already exercised) to its full extent;
- (vii) With effect from the date of such meeting, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent not having been exercised, thereupon lapse and determine. Our Directors shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such

compromise or arrangement is not approved by the relevant court having jurisdiction (the “**Court**”) (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court), the rights of the grantees to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full (but only up to the extent not already exercised) and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension; and

- (viii) Upon the occurrence of any of the events referred to in this sections (iv) to (vii) of this paragraph, our Company may at its discretion and notwithstanding the terms of the relevant Option, also give notice to the grantee that his Option may be exercised at any time within such period as shall be notified by our Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by our Company. If our Company issues such notice, the balance of the Options if not exercised shall lapse at the expiry of such period.

10. Lapse of options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period in respect of such Option in paragraph 9 above;
- (ii) the expiry of any of the periods referred to in paragraph 9 above;
- (iii) the date of commencement of the winding up of our Company;
- (iv) the date on which the grantee sells, transfers, charges, mortgages, encumbrances or creates any interest in favour of any other party, over or in relation to any Option in breach of the rules of the Share Option Scheme;
- (v) the date on which any of the following events, unless otherwise waived by the Board, happens;
 - (a) any liquidator, provisional liquidator, administrator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee (being a corporation) of such Option;

- (b) the grantee (being a corporation) of such Option has ceased or suspended payment of its debts, become unable to pay its debts (within the meaning of Section 178 of the Companies Ordinance or any similar laws or regulations) or otherwise become insolvent;
- (c) there is unsatisfied judgment, order or award outstanding against the grantee of such Option;
- (d) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this paragraph in respect of the grantee of such Option;
- (e) a bankruptcy order has been made against the grantee (being an individual), or any director of the grantee (being a corporation) of such Option in any jurisdiction; or
- (f) a petition for bankruptcy has been presented against the grantee (being an individual), or any director of the grantee (being a corporation) of such Option in any jurisdiction;
- (vi) the date on which the grantee commits a breach of any condition, restriction or limitation attached to the grant of any Option, if the Board shall exercise our Company's right to cancel such Option pursuant to paragraph 18 below; or
- (vii) the date on which the Board considers that the grantee fails to meet any eligibility criteria set out by the Board pursuant to the terms and conditions of the Share Option Scheme, if the Board shall exercise our Company's right to cancel the Option.

11. Reorganisation of Capital Structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from any capitalisation issue, rights issue, consolidation, sub-division of Shares or reduction of share capital of our Company, then, in any such case:

- (i) the Board shall instruct the auditors or an independent financial adviser to certify in writing that in their opinion, the adjustment, if any, is fair and reasonable as regards:
 - (a) the number or nominal amount of Shares subject to the Option(s) (insofar as it is/they are unexercised); and/or
 - (b) the Subscription Price; and/or

- (c) the maximum number of Shares referred to in paragraph 4 above, and an adjustment as so certified by the auditors or the independent financial adviser shall be made, provided that:
 - (d) any such adjustment must give the grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005);
 - (e) no such adjustment shall be made to the extent that a Share would be issued at less than its nominal value; and
 - (f) the issue of Shares as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (ii) in respect of any such adjustment other than any adjustment made on a capitalisation issue such auditors or independent financial adviser must confirm to our Directors in writing that the adjustment satisfies the requirements of the relevant provisions of the GEM Listing Rules (as amended from time to time) and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes.

Our Company shall, upon receipt of a notice from a grantee, inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with the terms and conditions of the Share Option Scheme.

In giving any certificate under this paragraph, the auditors and the independent financial adviser shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby for the purposes of this Share Option Scheme.

12. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board, save that:

- (i) the provisions of the Share Option Scheme relating to matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of any grantees or prospective grantees except with the prior sanction of an ordinary resolution of our Company in general meeting;

- (ii) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted prior to such alteration shall be approved by the Shareholders in a general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) the amended terms of the Share Option Scheme or the amended Options shall continue to comply with Chapter 23 of the GEM Listing Rules; and
- (iv) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in a general meeting.

13. Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to this Scheme or the interpretation of its rules or its effect shall (save as otherwise provided therein) be final and binding on all persons who may be affected thereby.

14. Rights are personal to grantee

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any Option or part thereof granted to such grantee.

15. Time of acceptance and restriction on exercise of options

An Option may be accepted by an Eligible Participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination thereof.

Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

16. Ranking of Shares

Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members) (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions (including distributions made upon the liquidation of our Company) paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

17. Termination of the Share Option Scheme

Our Company may, by an ordinary resolution at a general meeting or of a resolution of the Board, at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and any Option granted but not yet exercised prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

18. Cancellation of options

Either the Board or our Shareholders (by an ordinary resolution) shall have the right, at any time and from time to time, with the agreement of the grantee forthwith to cancel, whether conditionally or unconditionally, any Option granted to the grantee but not exercised. Cancelled Options may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme. For the avoidance of doubt, new Options may be issued to an Option holder in place of his cancelled Options only if there are available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders. The Board may also, in its absolute discretion, determine that against cancellation of all or any part of the outstanding Options held by a grantee, a sum shall be paid to the grantee which sum shall be equal to the excess (if any) of the price of the Shares comprised in the outstanding Options or the relevant part thereof calculated at the average of the closing prices of the Shares on the Stock Exchange according to the daily quotations sheet during the five Business Days immediately preceding the date of the cancellation notice over the Subscription Price in aggregate in respect of the Options or any part thereof so cancelled.

19. Present status of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, such Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the Scheme Mandate Limit.

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the Scheme Mandate Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

20. Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION**1. Litigation**

Save as disclosed in paragraph headed “Business – Legal Proceedings and Compliance” in this prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our Company’s results of operations or financial condition.

2. Deed of Indemnity

Each of our Controlling Shareholders entered into a deed of indemnity in favour of our Group on 23 March 2017 to provide the following indemnities.

Tax indemnities

Under the Deed of Indemnity, amongst others, our Controlling Shareholders jointly and severally undertake to fully indemnify the members of our Group against taxation and taxation claim, together with all necessary costs (including all legal costs), expenses, all interests, penalties or other liabilities which any of the members of our Group may properly and reasonably incur in connection with:

- (a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the Listing Date; and
- (b) taxation which might fall on us resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or arising from the Reorganisation on or before the Listing Date whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, subject to certain exceptions set out below.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity:

- (1) to the extent that provision or reserve has been made for such taxation in the audited accounts of any of the members of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 1 October 2016 which arises in our ordinary course of business; or
- (2) to the extent that such taxation falls on us in respect of the accounting period commencing on or after 1 October 2016 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us whether alone or in conjunction with some other act, omission or transaction, whenever occurring otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Listing Date; or
- (3) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or

- (4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to 30 September 2016 and which is finally established to be an over-provision or an excessive reserve.

Other indemnities

Under the Deed of Indemnity, amongst others, our Controlling Shareholders jointly and severally undertake to indemnify the members of our Group against:-

- (a) any damages, losses, liabilities, claims, fines, penalties, orders expenses and costs, or loss of profits, benefits which are or become payable or suffered by our Group directly or indirectly as a result of and in connection with the incidents referred to in the paragraph headed “Business – Legal proceedings and compliance” of this prospectus, (i) to the extent that such liabilities are not covered by the relevant insurance policies taken out by our Group or any member of our Group; or (ii) to the full extent of such liabilities in the event that neither our Group nor any member of the Group has taken out any insurance policy to cover such liabilities, provided that such legal action or proceedings are commenced, or the cause of action for any subsequent legal action or proceedings that are commenced before or after the Listing Date occurs, before the Listing Date;
- (b) all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any Group Member in respect of or arising directly or indirectly from or on the basis of or in connection with the disagreement on the settlement of certain purchaser orders with Vendor A in 2015 in a sum of approximately HK\$4,312,433 which is referred to in the paragraph headed “Business – Major Suppliers” of this Prospectus;

3. Preliminary Expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$18,000 and are payable by our Company.

4. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

5. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Offer Size Adjustment Option on the Stock Exchange and the Shares to be issued upon the exercise of any share options which may be granted under the Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor will receive a fee of approximately HK\$3.95 million for acting as the sole sponsor for the Share Offer.

6. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 September 2016, the date of the latest audited consolidated financial statements of our Group, and up to the date of this prospectus.

7. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Total Commissions, Fees and Expenses” in this prospectus.

8. Qualifications of Experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
Titan Financial Services Limited	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers as to Cayman Islands law
Chio Tak Wo, Advogado	Legal advisers as to Macau law
Zhong Lun Law Firm	Legal advisers as to PRC law
Rajah & Tann Singapore LLP	Legal advisers as to Singapore law
Frost & Sullivan International Limited	Industry consultant
SHINEWING Risk Services Limited	Internal control consultant
Bruce K.W. Lau	Barrister-at-law in Hong Kong

9. Consents

Each of the experts as referred to in the paragraph headed “E. Qualifications of experts” above in this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named above had any shareholding interests in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in the Company or any of its subsidiaries.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Taxation and Holders of Shares

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, which is currently charged at the ad valorem rate of 0.1% on each of the seller and the purchaser of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealing in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profit tax.

Potential investors in the Share Offer are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

12. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) Within the two years preceding the date of this prospectus, there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group;
- (ii) Within the two years preceding the date of this prospectus, no share or loan capital or debentures of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;
- (iii) Within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its principal subsidiaries;
- (iv) Within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (v) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (vi) No share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (vii) None of the parties (save in connection with the Underwriting Agreements) listed in the paragraph headed “– E. Other Information – 9. Consents” in this appendix
 - (a) is interested legally or beneficially in any securities of any member of our Group; or
 - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

13. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

Documents Available to the Registrar of Companies and Available for Inspection

1. Documents Delivered to the Registrar of Companies

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the Application Forms, (ii) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 9. Consents” in Appendix IV to this prospectus, and (iii) copies of each of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about the business of our Company – 1. Summary of material contracts of our Group” in Appendix IV to this prospectus.

2. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Locke Lord at 21/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) our Memorandum of Association and our Articles of Association;
- (ii) the service agreements and appointment letters entered into between our Company and each of our Directors;
- (iii) the accountants’ report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (iv) the consolidated financial statements of Best Gear and its subsidiaries for the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016;
- (v) the assurance report of unaudited pro forma financial information of our Company prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (vi) the letter of advice prepared by Appleby, our legal advisers as to Cayman Islands laws, summarising certain aspects of Cayman Islands Companies Law, referred to in Appendix III to this prospectus;
- (vii) the PRC legal opinion issued by Zhong Lun Law Firm, our legal advisers on PRC laws in respect of, among other things, our general matters and property interests of our Group in the PRC;
- (viii) the Macau legal opinion issued by Chio Tak Wo, Advogado, our legal advisers on Macau laws, as to Macau laws and regulations;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (ix) the Singapore legal opinion issued by Rajah & Tann Singapore LLP, our legal advisers on Singapore laws, as to Singapore laws and regulations;
- (x) the legal opinion in respect of the Competition Ordinance issued by Mr. Bruce K.W. Lau;
- (xi) the legal opinion in respect of the Dividend Distribution issued by Mr. Bruce K.W. Lau;
- (xii) the F&S Report;
- (xiii) the internal control review report prepared by SHINEWING Risk Services Limited, our Internal Control Consultant;
- (xiv) copies of material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about the business of our Company – 1. Summary of material contracts of our Group” in Appendix IV to this prospectus;
- (xv) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other Information – 9. Consents” in Appendix IV to this prospectus;
- (xvi) Share Option Scheme; and
- (xvii) the Cayman Companies Law.