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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (the “**Group**”) recorded revenue and gross profit of approximately HK\$161.4 million and HK\$42.6 million for the six months ended 30 September 2018, representing an increase of approximately 22.8% and 9.0% respectively when compared with revenue and gross profit of approximately HK\$131.4 million and HK\$39.1 million for the six months ended 30 September 2017.

The net profit after tax of the Group for the six months ended 30 September 2018 increased to approximately HK\$7.6 million (six months ended 30 September 2017: HK\$7.3 million).

The board of Directors do not recommend the payment of a dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	83,012	76,924	161,423	131,424
Cost of sales		(60,392)	(53,504)	(118,782)	(92,278)
Gross profit		22,620	23,420	42,641	39,146
Other income		1,204	252	1,560	361
Other gains and losses, net		(236)	70	(451)	53
Distribution and selling expenses		(7,510)	(5,655)	(13,479)	(10,698)
Administrative expenses		(9,907)	(10,682)	(20,114)	(19,213)
Listing expenses		–	–	–	(178)
Finance costs		(146)	(152)	(298)	(446)
Profit before taxation	5	6,025	7,253	9,859	9,025
Taxation	6	(1,513)	(1,220)	(2,213)	(1,704)
Profit for the period attributable to owners of the Company		4,512	6,033	7,646	7,321
Other comprehensive income/(expense):					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		(837)	132	(648)	225
Total comprehensive income for the period attributable to owners of the Company		3,675	6,165	6,998	7,546
Earnings per share attributable to owners of the Company	7				
– Basic (HK cents)		0.45	0.60	0.76	0.75
– Diluted (HK cents)		0.45	0.60	0.76	0.75

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 and as at 31 March 2018

		As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property and equipment	9	40,170	7,311
Deposits paid for acquisition of properties		–	28,744
Prepayment and deposits	10	27,520	36,403
Financial assets at fair value through profit or loss	3	12,678	–
Deferred tax assets		93	93
		80,461	72,551
Current assets			
Inventories		15,795	9,390
Trade and other receivables, prepayment and deposits	10	120,019	122,698
Tax recoverable		2,905	2,905
Bank balances and cash		57,293	62,391
		196,012	197,384
Current liabilities			
Trade and other payables and accruals	11	46,533	110,915
Contract liabilities	3	67,259	–
Bank borrowings	12	3,024	8,585
Provision		1,848	1,826
Tax liabilities		5,287	2,710
		123,951	124,036
Net current assets		72,061	73,348
Total assets less current liabilities		152,522	145,899
Non-current liabilities			
Contract liabilities	3	35,027	–
Deferred revenue		–	31,196
Bank borrowings	12	17,679	12,723
		52,706	43,919
Net assets		99,816	101,980
Capital and reserves			
Share capital	13	10,010	10,000
Reserves		89,806	91,980
Total equity		99,816	101,980

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company					Accumulated profits HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Translation reserve HK\$'000		
At 31 March 2018 (audited)	10,000	62,525	1,860	3,633	34	23,928	101,980
Opening adjustment on initial application of HKFRS 9 (note 3)	-	-	-	-	-	(550)	(550)
At 1 April 2018 (restated)	10,000	62,525	1,860	3,633	34	23,378	101,430
Profit for the period	-	-	-	-	-	7,646	7,646
Other comprehensive expense for the period	-	-	-	-	(648)	-	(648)
Total comprehensive income (expense) for the period	-	-	-	-	(648)	7,646	6,998
Dividend paid	-	-	-	-	-	(10,007)	(10,007)
Issue of shares under share option scheme	10	861	(238)	-	-	-	633
Recognition of equity-settled share-based expenses	-	-	762	-	-	-	762
At 30 September 2018 (unaudited)	10,010	63,386	2,384	3,633	(614)	21,017	99,816
At 1 April 2017 (audited)	-	-	-	3,633	(184)	5,746	9,195
Profit for the period	-	-	-	-	-	7,321	7,321
Other comprehensive income for the period	-	-	-	-	225	-	225
Total comprehensive income for the period	-	-	-	-	225	7,321	7,546
Issue of shares by capitalisation of share premium	7,500	(7,500)	-	-	-	-	-
Issue of new shares	2,500	77,500	-	-	-	-	80,000
Listing expenses related to the issue of new shares	-	(7,475)	-	-	-	-	(7,475)
Recognition of equity-settled share-based expenses	-	-	759	-	-	-	759
At 30 September 2017 (unaudited)	10,000	62,525	759	3,633	41	13,067	90,025

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated (used) in operating activities	12,107	(5,082)
Net cash used in investing activities	(6,197)	(1,249)
Net cash (used) generated from financing activities	(10,277)	48,720
Net increase (decrease) in cash and cash equivalents	(4,367)	42,389
Cash and cash equivalents at the beginning of the period	62,391	18,499
Effect of exchange rate changes	(731)	405
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>57,293</u>	<u>61,293</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in distribution of IT Security Products and provision of IT Security Services. The address of the registered office and principal place of business of the Company are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 39th Floor, Monterey Plaza, 15 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016 and the shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited on 19 April 2017.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 (the “**Reporting Period**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “**Interim financial reporting**” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for the new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies and amounts reported as described below, the application of other amendments to HKFRSs and the interpretation in the current interim period has had no material effect on the amounts reported set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Key impacts resulting from application of HKFRS 15

The application of HKFRS 15 did not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods, while the following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
Trade and other payables and accruals – current	110,915	(65,121)	45,794
Trade and other payables and accruals – non-current	31,196	(31,196)	–
Contract liabilities – current	–	65,121	65,121
Contract liabilities – non-current	–	31,196	31,196
	<u> </u>	<u> </u>	<u> </u>

Note: As at 1 April 2018, deferred revenue of HK\$96,317,000 previously included in trade and other payables and accruals were reclassified to contract liabilities and presented on the condensed consolidated statement of financial position.

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Key impacts resulting from application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to expected credit loss (“ECL”) under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Trade and other receivables, prepayments and deposits (current)	Prepayment and deposit (non-current)	Financial assets at fair value through profit or loss	Accumulated profits
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance at 31 March 2018				
– HKAS 39	122,698	36,403	–	23,928
Effect arising from initial application of HKFRS 9:				
Reclassification				
From loans and receivables	(a)	(12,506)	12,506	–
Remeasurement				
Impairment under ECL model	(b)	–	–	(550)
Opening balance at 1 April 2018	<u>122,148</u>	<u>23,897</u>	<u>12,506</u>	<u>23,378</u>

Notes:

- (a) Deposits for life insurance contracts of HK\$12,506,000 previously classified as loans and receivables were also reclassified to fair value through profit or loss (“FVTPL”) upon application of HKFRS 9 because their contractual cash flows do not represent solely the payments of principal and interest on the principal amount outstanding. There was no significant impact on fair value gain or loss relating to the deposits for life insurance contracts at 1 April 2018 as the carrying amounts of the payments for insurance policies at 31 March 2018 approximate to its fair value upon initial application of HKFRS 9.
- (b) The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually based on its own credit risk characteristics. As at 1 April 2018, the additional credit loss allowance of HK\$550,000 has been recognised against retained profits. The additional loss allowance is charged against trade receivables.

4. REVENUE AND SEGMENT RESULTS

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 periods, 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 making strategic decisions. Information reported to the CODM is based on the business lines operated 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.

	Three months ended 30 September 2018			Six months ended 30 September 2018		
	IT Security Products <i>HK\$'000</i> (unaudited)	IT Security Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)	IT Security Products <i>HK\$'000</i> (unaudited)	IT Security Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	48,286	34,726	83,012	94,294	67,129	161,423
Segment results	<u>10,734</u>	<u>11,886</u>	<u>22,620</u>	<u>19,681</u>	<u>22,960</u>	<u>42,641</u>
	Three months ended 30 September 2017			Six months ended 30 September 2017		
	IT Security Products <i>HK\$'000</i> (unaudited)	IT Security Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)	IT Security Products <i>HK\$'000</i> (unaudited)	IT Security Services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	48,007	28,917	76,924	78,509	52,915	131,424
Segment results	<u>13,230</u>	<u>10,190</u>	<u>23,420</u>	<u>19,728</u>	<u>19,418</u>	<u>39,146</u>

Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, listing expenses, finance costs and taxation.

5. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Profit for the period has been arrived at after charging:				
Staff costs:				
Directors' remuneration	2,313	2,518	4,424	4,261
Other staff costs	12,638	10,962	22,469	18,044
Contributions to retirement benefit schemes	547	459	1,676	897
Equity-settled share-based expenses	251	759	762	759
	<u>15,749</u>	<u>14,698</u>	<u>29,331</u>	<u>23,961</u>
Auditor's remuneration	358	361	730	734
Cost of inventories recognised as an expense	36,629	24,079	74,247	56,933
Depreciation of property and equipment	1,193	905	2,154	1,737
Minimum lease payments in respect of office premises	983	1,393	2,383	2,928

6. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Current tax:				
Hong Kong Profits Tax	1,455	1,074	2,060	1,415
Macau Complementary Tax	58	146	153	289
	<u>1,513</u>	<u>1,220</u>	<u>2,213</u>	<u>1,704</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2018 and 2017.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the six months ended 30 September 2018 and 2017.

No provision for Singapore income tax and the People's Republic of China (the "PRC") Enterprise income tax have been made as the Group did not generate any assessable profits arising in Singapore and the PRC during the six months ended 30 September 2018 and 2017.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>4,512</u>	<u>6,033</u>	<u>7,646</u>	<u>7,321</u>

The weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Three months ended 30 September		Six months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Weighted average number of shares for the purpose of calculating basic earnings per share	1,000,704,286	1,000,000,000	1,000,352,143	974,043,716
Effect of dilutive potential ordinary shares under share option scheme	<u>3,510,614</u>	<u>4,416,808</u>	<u>4,471,766</u>	<u>2,208,404</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>1,004,214,900</u>	<u>1,004,416,808</u>	<u>1,004,823,909</u>	<u>976,252,120</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue as described in note 13 has been effective on 1 April 2017.

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

9. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property and equipment of approximately HK\$35,010,000 (six months ended 30 September 2017: HK\$1,231,000).

10. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
Current		
Trade receivables	71,150	78,527
Prepayment to suppliers for maintenance and support services	42,025	39,156
Other tax receivables	4,316	3,070
Prepayment and others	2,528	1,945
	<u>120,019</u>	<u>122,698</u>
Non-current		
Rental deposits	1,366	1,484
Prepayment of life insurance charged	517	537
Deposit of insurance contracts	–	12,506
Prepayment to suppliers for maintenance and support services	25,637	21,876
	<u>27,520</u>	<u>36,403</u>
Total trade and other receivables, prepayment and deposits	<u><u>147,539</u></u>	<u><u>159,101</u></u>

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

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
0 to 30 days	30,338	44,112
31 to 60 days	17,541	19,710
61 to 90 days	7,156	7,900
91 to 120 days	5,442	3,007
121 to 365 days	10,673	3,798
	<u>71,150</u>	<u>78,527</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
Trade payables	33,363	33,691
Other accrued expense	1,999	4,238
Accrued staff cost	6,090	6,015
Deferred revenue	–	65,121
Others	5,081	1,850
	<u>46,533</u>	<u>110,915</u>

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

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
0 to 30 days	20,575	25,897
31 to 60 days	7,006	2,602
61 to 90 days	447	–
91 to 120 days	350	–
121 to 365 days	–	207
Over 365 days	4,985	4,985
	<u>33,363</u>	<u>33,691</u>

12. BANK BORROWINGS

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
Secured and guaranteed bank borrowings	<u>20,703</u>	<u>21,308</u>
Carrying amount payable:		
Within one year	3,024	5,164
More than one year but not more than two years	1,749	1,727
More than two years but not more than five years	3,923	4,382
More than five years	12,007	10,035
	<u>20,703</u>	<u>21,308</u>
Less: Amounts due within one year or contain a repayment on demand clause	<u>(3,024)</u>	<u>(8,585)</u>
Repayable more than one year	<u>17,679</u>	<u>12,723</u>

13. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017	100	–
Capitalisation issue (<i>note i</i>)	749,999,900	7,500
Issue of shares (<i>note ii</i>)	250,000,000	2,500
At 30 September 2017 and 31 March 2018	1,000,000,000	10,000
Issue of shares under share option scheme (<i>note iii</i>)	974,000	10
At 30 September 2018	1,000,974,000	10,010

Notes:

- (i) On 19 April 2017, 749,999,900 shares of the Company were issued to the then shareholders of the Company through capitalisation of HK\$7,499,999 standing to the credit of share premium account of the Company.
- (ii) The shares of the Company have been listed on the Stock Exchange on 19 April 2017. 250,000,000 shares of HK\$0.01 each of the Company were issued at an offer price of HK\$0.32 per share.
- (iii) During the six months ended 30 September 2018, the Company issued and allotted a total 974,000 shares of HK\$0.01 at exercise price of HK\$0.65 to certain option holders who exercised their options.

14. RELATED PARTY TRANSACTIONS

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Services fees paid/payable to Columns Asia Limited	–	101	243	101
Services fees paid/payable to Wepro 180 (Hong Kong) Limited	300	–	300	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continues to be a leading established value-added distributor of cyber security products and provider of related professional services with business operation in Hong Kong, the PRC, Singapore and various markets. IT Security Products refer to the procurement of network security products, system security products and application and data security products. IT Security Services refer to the provision of technical implementation, maintenance and support and consultancy services. Our customers are mainly IT companies which act as resellers in providing overall IT Solutions to end-users. Our suppliers are mainly multinational corporations which provide IT Security Products, including hardware, software and auxiliary products.

During the six months ended 30 September 2018 (“**FY2019 1H**”), the Group launched Green Radar, which aims to make advance cybersecurity solutions available to a larger market based on an on-demand services model. The technical infrastructure is being setup for this specific purpose and the Group believes it is essential in order to provide better coverage and services across Singapore and its proximity.

During this period, the Group continues to enhance the ERP system to enhance on existing operations and to deliver better management reporting and intelligence. This has helped the management team to get better insight into different areas of the business and to form appropriate actions in response.

All in all, FY2019 1H was a successful half-year with notable growth compared to last year for the Group. Although the financial figures were positive and sound, the Group has in parallel invested heavily in numerous initiatives to ensure organic and healthy growth.

OUTLOOK AND PROSPECTS

Looking forward to the second half, the Group observes that there are numerous initiatives to expand the use of information technology across the regions. Cybersecurity awareness is on the increase and its importance is also factored into these initiatives. This market awareness is essential to the success of the Group in pushing our cybersecurity solutions to the public.

In addition, as cyberthreats continue to become more indiscriminate against its victims, the Group is also observing increasing market interests from Tier-2 enterprises. As the Group aims to make advance cybersecurity solutions available to mid-size enterprises, this awareness will further bolster our go-to-market strategy and success.

All in all, the Group is looking forward to making further headway into a market that is getting more and more mature with its cybersecurity needs in the enterprises and the secondary markets. As the Group has solutions that cater for both these markets we expect the business to continue to get stronger.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$30.0 million, or 22.8%, from approximately HK\$131.4 million for the six months ended 30 September 2017 ("FY2018 1H") to approximately HK\$161.4 million for FY2019 1H. The increase was mainly due to the growth in sales of the existing products carried out by our Group with increase in demand for IT security products and services.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$3.5 million, or 9.0%, from approximately HK\$39.1 million in FY2018 1H to approximately HK\$42.6 million in FY2019 1H. The increase was in line with the increase in revenue. The gross profit margin decreased by approximately 3.4% from approximately 29.8% in FY2018 1H to approximately 26.4% in FY2019 1H.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately HK\$2.8 million, or 26.2%, from approximately HK\$10.7 million in FY2018 1H to approximately HK\$13.5 million in FY2019 1H which was mainly due to increase in staff cost.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$0.9 million, or 4.7%, from approximately HK\$19.2 million in FY2018 1H to approximately HK\$20.1 million in FY2019 1H.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit attributable to owner of the Company increased from approximately HK\$7.3 million in FY2018 1H to approximately HK\$7.6 million in FY2019 1H.

DIVIDEND

The Board does not recommend the payment of any dividend for FY2019 1H (FY2018 1H: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During FY2019 1H, the Group financed its operation mainly through cash generated from our operating activities. As at 30 September 2018, we had cash and cash equivalents of approximately HK\$57.3 million (As at 31 March 2018: HK\$62.4 million).

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total bank borrowings as at the respective period end divided by total equity as at the respective corresponding periods end, was approximately 20.7% as at 30 September 2018 (As at 31 March 2018: 20.9%). The Group maintained strong liquidity position during FY2019 1H.

CAPITAL STRUCTURE

As at 30 September 2018, the capital structure of the Company comprised issued share capital and reserves.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the six months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies save for those related to the reorganisation, for which the details are set out in the Prospectus.

SIGNIFICANT INVESTMENT HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the six months ended 30 September 2018.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2018, the Group has no material commitments and contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

The Group did not use any hedging contracts to engage in speculative activities during the six months ended 30 September 2018.

CHARGE ON GROUP'S ASSETS

As at 30 September 2018, the Group's bank borrowings were secured by life insurance contracts and properties.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had 86 employees (30 September 2017: 79) and most of them were working in Hong Kong headquarters. We incurred staff costs inclusive of performance related bonus, bonus and Directors' remuneration in the aggregate of approximately HK\$29.3 million and HK\$24.0 million for the six months ended 30 September 2018 and 2017, 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. The Group also adopted a share option scheme to reward individual staff for their contribution to the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company with actual business progress up to 30 September 2018.

Business objectives up to 30 September 2018 as set out in the Prospectus

Actual implementation plan up to 30 September 2018

Expansion and renovation of
our Hong Kong headquarters

The Group had completed the expansion of its headquarters and is fully operating from the facility.

Establishment of the detection and
response centre

The Group has been continuing to invest in the detection and response centre and offering with better products and services in Hong Kong and Singapore.

Upgrading our management system

The Group had migrated business operations into a management system and continues to enhance it.

A business analytics platform analysis of our business performance and management report was implemented.

Implementation of a new web portal as a community for IT professionals was postponed to year ending 31 March 2019.

Business objectives up to 30 September 2018 as set out in the Prospectus

Actual implementation plan up to 30 September 2018

Upgrading the network infrastructure

Certain hardwares were purchased to update our network infrastructure to ensure the smooth operation of the Hong Kong headquarters.

Expansion of operation in Singapore as the Services Hub together with its renovation

The acquisitions of two properties in Singapore were completed in June 2018. Singapore operation moved to the new office in October 2018 after renovation was completed.

Investment in demonstration equipment

Additional demonstration equipments were purchased for our Group's pitching activities.

Increasing the marketing efforts

Marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc, were carried out.

Expanding our workforce

Two sales staff, three IT technical staff and two administrative staff were hired in Hong Kong; and one sales staff, one technical staff and one administrative staff were hired in Singapore.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on GEM on 19 April 2017. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$56.0 million will be used for the intended purposes as set out in the section headed “Business Objectives and Future Plans” of the Prospectus. Set out below is the actual use of net proceeds up from the Listing to 30 September 2018:

Use of proceeds	Net proceeds from the Listing <i>HK\$ million</i>	Planned use of net proceeds as stated in the prospectus up to 30 September 2018 <i>HK\$ million</i>	Actual use of net proceeds up to 30 September 2018 <i>HK\$ million</i>	Amount remaining <i>HK\$ million</i>
Expansion and renovation of Hong Kong headquarters	3.2	3.2	3.2	–
Establishment of the detection and response centre	2.4	1.9	2.1	0.3
Upgrading the management systems	3.7	2.7	1.0	2.7
Upgrading the network infrastructure	1.2	0.6	0.6	0.6
Expansion of operation in Singapore as the Services Hub together with its renovation	22.5	22.5	17.9	4.6
Investment in demonstration equipment	3.0	1.5	1.3	1.7
Increasing the marketing efforts	1.2	0.6	0.6	–
Expanding the workforce	16.7	5.7	5.9	10.8
General working capital	2.1	1.3	1.3	0.8
Total	<u>56.0</u>	<u>40.0</u>	<u>33.9</u>	<u>21.5</u>

OTHER INFORMATION

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted the share option scheme by way of written resolutions on 23 March 2017 (the “**Share Option Scheme**”). As at 30 September 2018, there were 13,216,000 Share Options to subscribe for 13,216,000 ordinary shares of HK\$0.01 each of the Company, representing 1.32% of the issued share capital of the Company, as at the date of this announcement granted by the Company under the Share Option Scheme which were valid and outstanding. The exercise price of the share options is HK\$0.65 per share. None of the grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the GEM Listing Rules).

Details of the movements of share options granted, exercised or cancelled/lapsed during FY2019 1H and outstanding as at 30 September 2018 are as follows:

Grantee	Date of grant of share options	Exercised price of share options <i>HK\$</i>	Closing price immediately before date of grant <i>HK\$</i>	Exercised period (both dates inclusive)	At 1 April 2018	Grant during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 September 2018
Employees	7 July 2017	0.65	0.67	7 July 2018 to 6 July 2023	6,084,000	-	(974,000)	(336,000)	4,774,000
	7 July 2017	0.65	0.67	7 July 2019 to 6 July 2024	4,563,000	-	-	(342,000)	4,221,000
	7 July 2017	0.65	0.67	7 July 2020 to 6 July 2025	4,563,000	-	-	(342,000)	4,221,000
Total					<u>15,210,000</u>	<u>-</u>	<u>(974,000)</u>	<u>(1,020,000)</u>	<u>13,216,000</u>

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions

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

Notes:

- (1) This represents the shares held by Success Vision International Group Limited (“**Success Vision**”), a company that is beneficially owned as to 59.21% by Mr. Liu Yui Ting Raymond and 40.79% by Mr. Lo Wai Ho Ashley respectively, therefore, they are deemed to be interested in the 570,000,000 Shares under the SFO.
- (2) This represents the shares held by Pioneer Marvel Limited (“**Pioneer Marvel**”), a company that is wholly-owned by Mr. Lee Francis Sung Kei and therefore, he is deemed to be interested in the 22,500,000 Shares under the SFO.
- (3) This represents the shares held by Mind Bright Limited (“**Mind Bright**”), a company was wholly-owned by Mr. Von John and therefore he is deemed to be interested in the 60,000,000 Shares under the SFO.
- (4) This represents the shares held by Linking Vision Limited (“**Linking Vision**”), a company that is wholly-owned by Mr. Lam Tak Ling and therefore he is deemed to be interested in the 22,500,000 shares under the SFO.
- (5) This represents the shares held by Earning Gear Inc. (“**Earning Gear**”), a company that is wholly-owned by Dr. Tang Sing Hing Kenny and therefore he is deemed to be interested in the 75,000,000 shares under the SFO.

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

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed “Share Option Scheme” in this announcement, at no time since the Listing Date and up to the date of this announcement was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018 and up to the date of this announcement, the following persons (other than Directors or chief executive of the Company), who had interests in the shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company, were as follows:

Long Positions

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

Notes:

- (1) Success Vision was beneficially owned as to 59.21% by Mr. Liu Yui Ting Raymond, an executive Director, and 40.79% by Mr. Lo Wai Ho Ashley, non-executive Director, respectively. Each of Mr. Liu Yui Ting Raymond and Mr. Lo Wai Ho Ashley were deemed to be interested in the 570,000,000 Shares that held by Success Vision under the SFO.
- (2) Ms. Cheng Chui Ying is the spouse of Mr. Liu Yui Ting Raymond and was therefore deemed to be interested in the Shares in which Mr. Liu Yui Ting Raymond was interested in under the SFO.
- (3) Ms. Lin Fai is the spouse of Mr. Lo Wai Ho Ashley and was therefore deemed to be interested in the Shares in which Mr. Lo Wai Ho Ashley was interested in under the SFO.
- (4) Earning Gear is wholly-owned by Dr. Tang Sing Hing Kenny, a non-executive Director, and was therefore deemed to be interested in the 75,000,000 Shares that held by Earning Gear under the SFO.
- (5) Ms. Yip Lai Ching is the spouse of Dr. Tang Sing Hing Kenny and was therefore deemed to be interested in the Shares in which Dr. Tang Sing Hing Kenny was interested in under the SFO.
- (6) Mind Bright is wholly-owned by Mr. Von John, an executive Director, and was therefore deemed to be interested in the 60,000,000 Shares that held by Mind Bright under the SFO.
- (7) Ms. Cheung Mo Chi is the spouse of Mr. Von John and was therefore deemed to be interested in the Shares in which Mr. Von John, Director, was interested in under the SFO.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other person who had or deemed to have interests or short positions in the shares and underlying shares of the Company which has disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

DISCLOSURE REQUIRED UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information in relation to the Directors that is required to be disclosed pursuant to Rules 17.50A(1) of the GEM Listing Rules as at the date of this announcement.

DEED OF NON-COMPETITION

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

The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the controlling Shareholders during the six months ended 30 September 2018 and up to the date of this announcement.

COMPETING INTEREST

During the six months ended 30 September 2018, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

AUDIT COMMITTEE

The Company has established the Audit Committee (the “**Audit Committee**”) on 23 March 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee is in compliance with the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 of the GEM Listing Rules available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yu Kwok Chun Raymond, Mr. Ng Tsz Fung Jimmy and Mr. Chan Siu Ming Simon. Mr. Ng Tsz Fung Jimmy is the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2018, which have been approved by the Board on 9 November 2018 prior to its issuance. The Audit Committee is of the view that the unaudited condensed consolidated financial statements are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct during the six months ended 30 September 2018 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to the date of this announcement, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of the Company’s listed securities.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensuring high standards of corporate governance and business practices. The Company’s corporate governance practices are based on the CG Code as set out in Appendix 15 of the GEM Listing Rules. Since the Listing Date and up to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Titan Financial Services Limited (“**Titan**”), the Company’s compliance adviser, save for the compliance agreement entered into between the Company and Titan dated 15 December 2016 in connection with the Listing, none of Titan or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 September 2018 and up to the date of this announcement, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Hong Kong, 9 November 2018

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

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