

edvance

Edvance International Holdings Limited
安領國際控股有限公司

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*This report, 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 and its subsidiaries (together, the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

COMMITTEES

Audit Committee

Mr. Ng Tsz Fung Jimmy (*Chairman*)
Mr. Chan Siu Ming Simon
Mr. Yu Kwok Chun Raymond

Remuneration Committee

Mr. Yu Kwok Chun Raymond (*Chairman*)
Mr. Chan Siu Ming Simon
Mr. Ng Tsz Fung Jimmy
Mr. Liu Yui Ting Raymond

Nomination Committee

Mr. Chan Siu Ming Simon (*Chairman*)
Mr. Ng Tsz Fung Jimmy
Mr. Yu Kwok Chun Raymond
Mr. Liu Yui Ting Raymond

Investment Committee

Mr. Liu Yui Ting Raymond (*Chairman*)
Dr. Tang Sing Hing Kenny
Mr. Ng Tsz Fung Jimmy

COMPLIANCE OFFICER

Mr. Von John

COMPANY SECRETARY

Ms. Wong Man Shan Joyce (*HKICPA*)

AUTHORISED

REPRESENTATIVES

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COMPANY'S WEBSITE

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STOCK CODE

8410



FINANCIAL HIGHLIGHTS

The Group recorded a revenue and gross profit of approximately HK\$193.0 million and HK\$53.5 million for the six months ended 30 September 2019, representing an increase of approximately 19.6% and 22.4%, respectively when compared with the revenue and gross profit of approximately HK\$161.4 million and HK\$43.7 million for the six months ended 30 September 2018.

The net profit after tax of the Group for the six months ended 30 September 2019 increased to approximately HK\$10.4 million (six months ended 30 September 2018: approximately HK\$7.6 million), representing an increase of approximately 36.8% as compared to the corresponding period in 2018. Excluding the non-recurring professional fees incurred in relation to the preparation for the proposed transfer of listing (“**Proposed Transfer of Listing**”) the Company’s shares from GEM to the Main Board of the Stock Exchange amounted to HK5.7 million, the Group’s net profit after tax for the six months 30 September 2019 amounted to approximately HK\$16.1 million representing a significant increase of approximately 111.8%.

The board of Directors (“**Board**”) does not recommend the payment of a dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Edvance International Holdings Limited

Introduction

We have reviewed the condensed consolidated financial statements of Edvance International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 7 to 33, which comprises the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

Hong Kong, 11 November 2019

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (re-presented)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (re-presented)
Revenue	4A	103,735	83,012	193,019	161,423
Cost of sales		(74,894)	(59,366)	(139,556)	(117,756)
Gross profit		28,841	23,646	53,463	43,667
Other income		237	178	661	534
Other gains and losses, net		(82)	(236)	(351)	(451)
Distribution and selling expenses		(6,130)	(7,510)	(12,822)	(13,479)
Administrative and other expenses		(13,952)	(9,907)	(25,786)	(20,114)
Net impairment losses on trade receivables		(93)	–	(93)	–
Finance costs		(365)	(146)	(751)	(298)
Profit before taxation	5	8,456	6,025	14,321	9,859
Taxation	6	(1,914)	(1,513)	(3,874)	(2,213)
Profit for the period attributable to owners of the Company		6,542	4,512	10,447	7,646
Other comprehensive expense:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		(503)	(837)	(613)	(648)
Total comprehensive income for the period attributable to owners of the Company		6,039	3,675	9,834	6,998
Earnings per share	7				
– Basic (HK cents)		0.65	0.45	1.04	0.76
– Diluted (HK cents)		0.65	0.45	1.04	0.76

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 and as at 31 March 2019

	Notes	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Non-current assets			
Property and equipment	9	54,313	39,245
Deposits paid for acquisition of property and equipment		–	300
Prepayments and deposits	10	42,965	41,502
		97,278	81,047
Current assets			
Inventories		17,885	7,763
Trade and other receivables, prepayments and deposits	10	187,400	152,815
Bank balances and cash		33,393	73,725
		238,678	234,303
Current liabilities			
Trade and other payables and accruals	12	65,780	42,751
Contract liabilities		83,827	82,775
Lease liabilities		5,002	–
Bank borrowings	13	3,774	4,403
Tax liabilities		7,927	5,045
		166,310	134,974
Net current assets		72,368	99,329
Total assets less current liabilities		169,646	180,376

	Notes	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Non-current liabilities			
Contract liabilities		39,266	38,395
Lease liabilities		9,223	–
Bank borrowings	13	21,233	22,135
		69,722	60,530
Net assets		99,924	119,846
Capital and reserves			
Share capital	14	10,014	10,014
Reserves		89,910	109,832
Total equity		99,924	119,846

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2019	10,014	63,805	3,633	2,642	205	39,547	119,846
Profit for the period	-	-	-	-	-	10,447	10,447
Other comprehensive expense for the period	-	-	-	-	(613)	-	(613)
Total comprehensive (expense) income for the period	-	-	-	-	(613)	10,447	9,834
Dividend paid (Note 8)	-	-	-	-	-	(30,043)	(30,043)
Transfer to accumulated profits upon forfeiture of share options	-	-	-	(129)	-	129	-
Recognition of equity-settled share-based expenses	-	-	-	287	-	-	287
At 30 September 2019 (unaudited)	10,014	63,805	3,633	2,800	(408)	20,080	99,924
At 1 April 2018	10,000	62,525	3,633	1,860	34	23,378	101,430
Profit for the period	-	-	-	-	-	7,646	7,646
Other comprehensive expense for the period	-	-	-	-	(648)	-	(648)
Total comprehensive (expense) income for the period	-	-	-	-	(648)	7,646	6,998
Dividend paid (Note 8)	-	-	-	-	-	(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	3,633	2,384	(614)	21,017	99,816

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(3,035)	12,107
Net cash used in investing activities	(2,429)	(6,197)
Net cash used in financing activities:		
Payments of lease liabilities	(2,044)	–
Dividend paid	(30,043)	(10,007)
Other financing cash flows	(2,282)	(270)
	(34,369)	(10,277)
Net decrease in cash and cash equivalents	(39,833)	(4,367)
Cash and cash equivalents at the beginning of the period	73,725	62,391
Effect of exchange rate changes	(499)	(731)
Cash and cash equivalents at the end of the period represented by bank balances and cash	33,393	57,293

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

Edvance International Holdings Limited (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 (“**Listing Date**”).

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) 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**”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

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 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.


After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.



For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.3%.

	As at 1 April 2019 HK\$'000 (unaudited)
Operating lease commitments disclosed as at 31 March 2019	16,945
Lease liabilities discounted at relevant incremental borrowing rates as at 1 April 2019	15,545
Less: Recognition exemption – short-term leases	(284)
Lease liabilities as at 1 April 2019	15,261
Analysed as:	
Current	4,257
Non-current	11,004
	15,261

The carrying amount of right-of-use assets as at 1 April 2019 comprises the followings:

	Right-of-use assets HK\$'000 (unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	15,261
Adjustments on rental deposits at 1 April 2019 (note)	222
	15,483
By Class:	
Properties	15,483

Note: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$222,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS16 at 1 April 2019
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Property and equipment	39,245	15,483	54,728
Current assets			
Trade and other receivables, prepayments and deposits	152,815	(222)	152,593
Current liabilities			
Lease liabilities	–	4,257	4,257
Non-current liabilities			
Lease liabilities	–	11,004	11,004

4A. 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 period.

An analysis of the Group's revenue by types of goods and services for the period is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Types of goods or services:				
IT Security Products business*				
– procurement of network security products, system security products and application and data security products	59,754	48,286	106,023	94,294
IT Security Services business*				
– provision of technical implementation services	10,474	6,547	20,037	12,152
– provision of maintenance and support services	33,507	28,179	66,959	54,977
	43,981	34,726	86,996	67,129
	103,735	83,012	193,019	161,423

* The segment names are defined in the section "Segment information" in note 4B.

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Geographical markets:				
Hong Kong	84,690	70,209	153,739	129,761
Macau (note)	11,555	4,889	22,489	14,283
Mongolian People's Republic ("Mongolia") (note)	994	552	2,973	1,754
The People's Republic of China ("PRC") (excluding Hong Kong and Macau)	4,363	5,592	9,797	9,410
Republic of Singapore ("Singapore")	2,133	1,770	4,021	6,215
	103,735	83,012	193,019	161,423

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

Information about the Group's revenue from external customers is presented based on the locations of the shipments of goods or the services provided.

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Timing of revenue recognition:				
Over time	43,981	34,726	86,996	67,129
A point in time	59,754	48,286	106,023	94,294
	103,735	83,012	193,019	161,423

4B. SEGMENT INFORMATION

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.

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

- (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 and maintenance and support services to customers by the Group.

	Three months ended 30 September 2019			Six months ended 30 September 2019		
	IT Security Products HK\$'000 (unaudited)	IT Security Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	IT Security Products HK\$'000 (unaudited)	IT Security Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	59,754	43,981	103,735	106,023	86,996	193,019
Segment results	15,868	12,973	28,841	27,235	26,228	53,463
Other income			237			661
Other gains and losses, net			(82)			(351)
Distribution and selling expenses			(6,130)			(12,822)
Administrative and other expenses			(13,952)			(25,786)
Net impairment losses on trade receivables			(93)			(93)
Finance costs			(365)			(751)
Profit before taxation			8,456			14,321

	Three months ended 30 September 2018			Six months ended 30 September 2018		
	IT Security Products	IT Security Services	Total	IT Security Products	IT Security Services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(re-presented)		(re-presented)	(re-presented)		(re-presented)
Segment revenue	48,286	34,726	83,012	94,294	67,129	161,423
Segment results	11,760	11,886	23,646	20,707	22,960	43,667
Other income			178			534
Other gains and losses, net			(236)			(451)
Distribution and selling expenses			(7,510)			(13,479)
Administrative and other expenses			(9,907)			(20,114)
Finance costs			(146)			(298)
Profit before taxation			6,025			9,859

Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative and other expenses, net impairment losses on trade receivables and finance costs.

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

5. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (re-presented)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (re-presented)
Profit for the period has been arrived at after charging:				
Staff costs:				
Directors' remuneration	2,428	2,313	4,852	4,424
Other staff costs	12,400	12,638	25,324	22,469
Contributions to retirement benefit schemes	624	547	1,338	1,676
Equity-settled share-based expenses	57	251	287	762
	15,509	15,749	31,801	29,331
Auditor's remuneration	370	358	757	730
Cost of inventories recognised as an expense	44,130	35,603	78,788	73,221
Minimum lease payments in respect of office premises	–	983	–	2,383
Expenses relating to short-term leases	179	–	440	–
Professional fees for the Proposed Transfer of Listing (included in administrative and other expenses)	4,271	–	5,671	–
Depreciation of right-of-use assets	1,272	–	2,442	–
Depreciation of other property and equipment	1,020	1,193	1,906	2,154
Depreciation of property and equipment	2,292	1,193	4,348	2,154

6. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	1,785	1,455	3,465	2,060
PRC Enterprise Income Tax ("EIT")	–	–	174	–
Macau Complementary Tax	129	58	235	153
	1,914	1,513	3,874	2,213

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

PRC EIT is calculated at 25% on the estimated assessable profit for the six months ended 30 September 2019. No provision for PRC EIT has been made as the Group did not generate any assessable profits arising in PRC during the six months ended 30 September 2018.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the six months ended 30 September 2019 and 2018.

No provision for Singapore income tax has been made as the Group did not generate any estimated assessable profits arising in Singapore during the six months ended 30 September 2019 and 2018.

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	6,542	4,512	10,447	7,646

	Three months ended 30 September		Six months ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,001,446,000	1,000,704,286	1,001,446,000	1,000,352,143
Add: Effect of dilutive potential ordinary shares under share option scheme	-	3,510,614	-	4,471,766
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,001,446,000	1,004,214,900	1,001,446,000	1,004,823,909

For the six months ended 30 September 2019, the computation of diluted earnings per share does not assume the exercise of share options since such assumed exercise would increase earnings per share of the Company for the period.

8. DIVIDEND

A final dividend of HK\$0.03 per share of the Company with aggregate amount of approximately HK\$30,043,000 in respect of the year ended 31 March 2019 has been declared and paid by the Company during the six months ended 30 September 2019.

A final dividend of HK\$0.01 per share of the Company in with aggregate amount of approximately HK\$10,007,000 respect of the year ended 31 March 2018 has been declared and paid by the Company during the six months ended 30 September 2018.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

9. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property and equipment of approximately HK\$2,937,000 (six months ended 30 September 2018: HK\$35,010,000).

Upon application of HKFRS 16, the Group has recognised right-of-use assets and lease liabilities of approximately HK\$15,261,000 and rental deposits of approximately HK\$222,000 was adjusted to right-of-use assets as at 1 April 2019 as set out in note 3.

During the six months ended 30 September 2019, the Group entered into new lease agreements for the use of properties for two years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised approximately HK\$1,136,000 right-of-use assets and approximately HK\$1,103,000 lease liabilities.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Current		
Trade receivables	125,056	93,210
Less: allowance for credit losses	(713)	(620)
	124,343	92,590
Prepayments to suppliers for maintenance and support services	59,910	55,869
Other tax receivables	1,225	1,054
Prepayments and others	1,922	3,302
	187,400	152,815
Non-current		
Rental deposits	1,254	1,466
Deposits for life insurance contracts	13,006	12,836
Prepayment of life insurance charged	475	496
Prepayments to suppliers for maintenance and support services	28,230	26,704
	42,965	41,502
Total trade and other receivables, prepayments and deposits	230,365	194,317

The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period:

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
0 to 30 days	57,615	56,762
31 to 60 days	31,739	14,777
61 to 90 days	11,465	10,429
91 to 120 days	7,440	3,554
121 to 365 days	16,084	7,068
	124,343	92,590

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

During the six months ended 30 September 2019, the Group has provided impairment losses allowance of approximately HK\$93,000 (six months ended 30 September 2018: Nil) for trade receivables.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade payables	52,347	32,934
Other accrued expenses	3,169	3,408
Accrued staff costs	6,398	6,031
Accrued listing related expenses	3,444	–
Others	422	378
	65,780	42,751

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

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
0 to 30 days	43,489	25,345
31 to 60 days	3,425	2,378
61 to 90 days	324	217
91 to 120 days	105	–
121 to 365 days	8	11
Over 365 days	4,996	4,983
	52,347	32,934

13. BANK BORROWINGS

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Secured and guaranteed bank borrowings	25,007	26,538
Carrying amount payable:		
Within one year	2,210	2,224
More than one year but not more than two years	2,313	2,306
More than two years but not more than five years	3,684	4,886
More than five years	16,800	17,122
	25,007	26,538
Less: Amounts due within one year or contain a repayment on demand clause	(3,774)	(4,403)
Repayable more than one year	21,233	22,135

As at 30 September 2019, bank borrowing of approximately HK\$22,100,000 (31 March 2019: approximately HK\$23,114,000) is secured by the deed of assignment of sales and purchase agreement relating to the properties and mortgage in escrow as mortgage of the properties with carrying value of approximately HK\$30,528,000 (31 March 2019: approximately HK\$30,908,000) and corporate guarantee provided by the Group. The remaining bank borrowings of approximately HK\$2,907,000 (31 March 2019: approximately HK\$3,424,000) are secured by the deposits for life insurance contracts as set out in note 10 and corporate guarantee provided by the Group.

14. SHARE CAPITAL

Details of the shares of the Company are as follows:

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2018 (audited)	1,000,000,000	10,000
Issue of shares under share option scheme (note)	974,000	10
At 30 September 2018 (unaudited)	1,000,974,000	10,010
At 1 April 2019 (audited) and 30 September 2019 (unaudited)	1,001,446,000	10,014

Note: During the six months ended 30 September 2018, a total of 974,000 new ordinary shares of HK\$0.01 each of the Company were issued upon exercise of the share options of the Company.

15. RELATED PARTY TRANSACTIONS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Services fees expenses to Columns Asia Limited (note)	–	–	–	243
Marketing expenses to Wepro 180 (Hong Kong) Limited (note)	300	300	600	300

Note: Mr. Liu Yui Ting Raymond, a director of the Company, is the controlling shareholder of Columns Asia Limited and Wepro 180 (Hong Kong) Limited.

16. COMPARATIVE FINANCIAL INFORMATION

To conform with the presentation with the annual financial statements for the year ended 31 March 2019, certain comparative financial information for the six months ended 30 September 2018 have been re-presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continues to be a leading value-added distributor of IT security products and provider of related professional services with business operations in Hong Kong, the PRC, Singapore and various markets. IT Security Products refer to the distribution of network security products, system security products and applications 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 2019 (“**FY2020 1H**”), the Group continues to grow its business organically by introducing effective cybersecurity solutions to local enterprises. Market awareness is a key part of a strategy to drive continuous healthy growth and the Group carried out marketing events during FY2020 1H to promote cybersecurity awareness, climaxed with a cybersecurity conference “Beacon 2019” in June 2019, and closed off with supporting marketing events that solidified interested leads.

Product wise, on 4 July 2019 the Group entered into a new distributor agreement with a new supplier that focused on cybersecurity solutions for Operation Technology networks. The Group anticipates that 5G technology will bring about new challenges in cybersecurity and this partnership will bring new opportunities to the Group in the near future.

Research and development work for the technology platform of Green Radar continued during FY2020 1H. The Group has focused to enhance automation, accuracy and scalability, reducing reliance on individual expertise and manpower while maintaining effectiveness. Enhancement was also made for integration with our reseller partners’ technologies so the cybersecurity services could be offered seamlessly.

OUTLOOK AND PROSPECTS

Cybersecurity solutions continue to be a growing and evolving market. Local commercial development creates new demands in cybersecurity solutions and the Group continues to see there is an immediate tangible demand in the short-term, while longer term outlook remains positive. The Group sees continuous shortage in expertise while cybersecurity threats continues to become bigger threats to large and small scale enterprises, more commonplace and inclusive in their attack targets.

Demands for advance cybersecurity services from smaller organizations are also on the rise, and the Group sees potential for Green Radar to cooperate with industrial partners and make the services quickly available to a wider market.

All in all, we expect business demands continue to remain strong for the remaining of the year. The Group will continue to deliver cybersecurity solutions to our end user clients, while maintaining an active market penetration program.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$31.6 million, or approximately 19.6%, from approximately HK\$161.4 million for the six months ended 30 September 2018 ("FY2019 1H") to approximately HK\$193.0 million for FY2020 1H. The increase was primarily attributable to the high demand of the Group's products and services in the financial service industry and gaming industry in Hong Kong and Macau.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$9.8 million, or approximately 22.4%, from approximately HK\$43.7 million in FY2019 1H to approximately HK\$53.5 million in FY2020 1H. The increase in gross profit was in line with the increase in revenue. The gross profit margin remained stable at approximately 27.7% in FY2020 1H as compared to approximately 27.1% in FY2019 1H.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately HK\$0.7 million, or approximately 5.2%, from approximately HK\$13.5 million in FY2019 1H to approximately HK\$12.8 million in FY2020 1H which was mainly due to the decrease in staff cost as a result of the sales personnel re-arrangement.

Administrative and other expenses

The Group's administrative and other expenses increased by approximately HK\$5.7 million, or approximately 28.4%, from approximately HK\$20.1 million in FY2019 1H to approximately HK\$25.8 million in FY2020 1H. Such increase was mainly due to the listing expenses for the Proposed Transfer of Listing incurred during FY2020 1H.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company increased from approximately HK\$7.6 million in FY2019 1H to approximately HK\$10.4 million in FY2020 1H.

DIVIDEND

The Board does not recommend the payment of any dividend for FY2020 1H (FY2019 1H: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During FY2020 1H, the Group financed its operation mainly through cash generated from our operating activities. As at 30 September 2019, we had cash and cash equivalents of approximately HK\$33.4 million (as at 31 March 2019: approximately HK\$73.7 million). The decrease in cash and cash equivalents was mainly due to the payment of dividend during FY2020 1H.

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total borrowings (defined as the sum of bank borrowings and lease liabilities) as at the respective period end divided by the total equity as at the respective corresponding period end, was approximately 39.3% as at 30 September 2019 (as at 31 March 2019: approximately 22.1%). The Group maintained strong liquidity position during FY2020 1H.

CAPITAL STRUCTURE

As at 30 September 2019, 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 of the Company dated 31 March 2017 (the “**Prospectus**”), the Group does not have other plans for material investments and capital assets during FY2020 1H.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY2020 1H, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during FY2020 1H.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group has no material capital commitments (as at 31 March 2019: approximately HK\$0.3 million) in respect of the property and equipment contracted but not provided for.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (31 March 2019: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in US Dollars. The sales of the Group are predominated in Hong Kong Dollars. The Group will continue to monitor the risk related to foreign exchanges. The Group did not use any hedging contracts to engage in speculative activities during FY2020 1H.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2019, the Group's bank borrowing is secured by the deed of assignment of sales and purchase agreement relating to the properties and mortgage in escrow as mortgage of the properties, corporate guarantee provided by the Group and deposits for life insurance contracts.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had 91 employees (30 September 2018: 86) 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 amount of approximately HK\$31.8 million and HK\$29.3 million for FY2020 1H and FY2019 1H, 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 sales 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

An analysis comparing the use of proceeds as set out in the Prospectus with the Group's actual business progress up to the date of this report is set out below:

Objectives	Implementation plan	Actual business progress up to the date of this report	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date up to the date of this report (HK\$ million)
Expansion and renovation of our Hong Kong headquarters	<ul style="list-style-type: none"> – Payment for renovation works for the new office premises with additional spaces for training and seminar rooms and warehouse 	The Group completed the expansion of its headquarters which was fully operational in July 2017.	3.2	3.2
Establishment of the Service Hub	<ul style="list-style-type: none"> – Purchase relevant hardwares such as monitors – Purchase detection devices, logging devices and servers – Maintain and/or upgrade detection devices, logging devices to support the smooth operation of the Service Hub 	The Group completed the establishment of the Service Hub in July 2019.	2.4	2.4
Expansion of operation in Singapore as our Service Hub and its renovation	<ul style="list-style-type: none"> – Deposit for the acquisition of new office premise for the Service Hub together with renovation of the same 	The Group completed the expansion of its Singapore Service Hub which was fully operational in November 2018.	22.5	22.5

Objectives	Implementation plan	Actual business progress up to the date of this report	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date up to the date of this report (HK\$ million)
Upgrading our management system	<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 – Review and maintain the ERP System, web portal and business analytics platform 	The Group completed upgrading its management system in June 2019.	3.7	3.7
Upgrading network infrastructure	<ul style="list-style-type: none"> – Maintain and/or upgrade relevant hardware such as servers and system monitoring etc. to ensure the smooth operation of the Hong Kong headquarters 	The Group had upgraded the network infrastructure which had been implemented in its business operations.	1.2	1.2
Investment in demonstration Equipment	<ul style="list-style-type: none"> – Purchase additional demonstration equipment for the Group's pitching activities 	Demonstration equipments were purchased for the Group's pitching activities.	3.0	3.0
Increasing our marketing efforts	<ul style="list-style-type: none"> – Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training, workshops, public relations event, sponsoring public events etc. 	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.	1.2	1.2

Objectives	Implementation plan	Actual business progress up to the date of this report	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date up to the date of this report (HK\$ million)
Expanding our workforce	<ul style="list-style-type: none"> – Hire (i) two sales staff, seven IT technical staff and two administrative staff in Hong Kong; and (ii) three sales staff, four technical staff and two administrative staff in Singapore – Conduct training and workshops for our employees 	The Group employed twelve IT technical staff, nine sales staff and ten administrative staff in Hong Kong and Singapore.	16.7	16.7
General working capital	<ul style="list-style-type: none"> – to be used as working capital and funding for other general corporate purposes according to our Group's business plans 	The Group remains focused on maintaining and investing in the Group's working capital to fund the Group's business expansion and to enhance the Group's operating liquidity which facilitate the growth of the Group's business.	2.1	2.1
Total			56.0	56.0

The net proceeds from the share offer of the new shares as referred to in the Prospectus was approximately HK\$56.0 million, 100% of which has been utilised as at the date of this report.

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 2019, there were 11,456,000 share options granted by the Company under the Share Option Scheme which were valid and outstanding, representing approximately 1.14% of the issued share capital of the Company as at the date of this report. 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 FY2020 1H and outstanding as at 30 September 2019 are as follows:

Grantee	Date of grant of share options	Exercise price of share options HK\$	Closing price immediately before the date of grant HK\$	Exercise period (both dates inclusive)	As at 1 April 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2019
Employees	7-Jul-17	0.65	0.67	7 July 2018 to 6 July 2023	4,142,000	–	–	(288,000)	3,854,000
	7-Jul-17	0.65	0.67	7 July 2019 to 6 July 2024	4,017,000	–	–	(216,000)	3,801,000
	7-Jul-17	0.65	0.67	7 July 2020 to 6 July 2025	4,017,000	–	–	(216,000)	3,801,000
Total					12,176,000	–	–	(720,000)	11,456,000

During FY2020 1H, no options were granted by the Company pursuant to Share Option Scheme. No options were cancelled and exercised but 720,000 share options were lapsed during FY2020 1H.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2019, 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 ⁽¹⁾
Mr. Liu Yui Ting Raymond ⁽²⁾	Interest of a controlled corporation	570,000,000	56.92%
Mr. Lo Wai Ho Ashley ⁽²⁾	Interest of a controlled corporation	570,000,000	56.92%
Dr. Tang Sing Hing Kenny ⁽³⁾	Interest of a controlled corporation	75,000,000	7.49%
Mr. Von John ⁽⁴⁾	Interest of a controlled corporation	60,000,000	5.99%
Mr. Lee Francis Sung Kei ⁽⁵⁾	Interest of a controlled corporation	22,500,000	2.25%
Mr. Lam Tak Ling ⁽⁶⁾	Interest of a controlled corporation	22,500,000	2.25%

Notes:

- (1) The percentage has been calculated based on the total number of ordinary shares of the Company in issue (1,001,446,000 Shares) as at 30 September 2019.
- (2) 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 held by Success Vision under the SFO.
- (3) 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 held by Earning Gear under the SFO.

- (4) This represents the shares held by Mind Bright Limited (“**Mind Bright**”), a company that is wholly-owned by Mr. Von John and therefore he is deemed to be interested in the 60,000,000 Shares held by Mind Bright under the SFO.
- (5) 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 held by Pioneer Marvel under the SFO.
- (6) 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 held by Linking Vision under the SFO.

Details of the share options of the Company, duly granted to the Directors pursuant to the Share Option Scheme, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the paragraph headed “Share Option Scheme” of this report.

Save as disclosed above, as at 30 September 2019 and up to the date of report, none of the Directors or chief executives of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed “Share Option Scheme” of this report, at no time during FY2020 1H and up to the date of this report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2019 and up to the date of this report, the following persons (other than the Directors or chief executive of the Company), who had interests in the shares and underlying 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 ⁽⁸⁾
Success Vision ⁽¹⁾	Beneficial owner	570,000,000	56.92%
Ms. Cheng Chui Ying ^(1&2)	Interest of spouse	570,000,000	56.92%
Ms. Lin Fai ^(1&3)	Interest of spouse	570,000,000	56.92%
Earning Gear ⁽⁴⁾	Beneficial owner	75,000,000	7.49%
Ms. Yip Lai Ching ^(4&5)	Interest of spouse	75,000,000	7.49%
Mind Bright ⁽⁶⁾	Beneficial owner	60,000,000	5.99%
Ms. Cheung Mo Chi ^(6&7)	Interest of spouse	60,000,000	5.99%

Notes:

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

- (6) Mind Bright is wholly-owned by Mr. Von John, Director, and Mr. Von John is therefore deemed to be interested in the 60,000,000 Shares that are held by Mind Bright under the SFO.
- (7) Ms. Cheung Mo Chi is the spouse of Mr. Von John, Director, and is therefore deemed to be interested in the Shares in which Mr. Von John is interested in under the SFO.
- (8) The percentage has been calculated based on the total number of ordinary shares of the Company in issue (1,001,446,000 shares) as at 30 September 2019.

Save as disclosed above, as at 30 September 2019 and up to the date of this report, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations" above) who had or deemed to have any interests or short positions in the shares and underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and be recorded in the register of the Company 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 Rule 17.50A(1) of the GEM Listing Rules as at the date of this report.

DEED OF NON-COMPETITION

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

The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the Controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders since the Listing Date and up to the date of this report.

COMPETING INTERESTS

During FY2020 1H, none of the Directors or the Controlling Shareholders 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 AND REVIEW OF INTERIM RESULTS

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**”) as 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 FY2020 1H, which have been approved by the Board on 11 November 2019 prior to its issuance. The Audit Committee is of the view that the unaudited condensed consolidated financial statements for FY2020 1H are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that sufficient disclosure was made.

The Company’s independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated financial statements of the Group for FY2020 1H in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “**Model Code**”). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Model Code during FY2020 1H and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During FY2020 1H and up to the date of this report, 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. During FY2020 1H, 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 adviser 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 2019, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENT AFTER REPORTING PERIOD

The Company submitted a formal application to the Stock Exchange in respect of the Proposed Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules on 8 October 2019. The Proposed Transfer of Listing will not involve any issue of new Shares.

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

Hong Kong, 11 November 2019

As at the date of this report, 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.