



edvance

Edvance International Holdings Limited

安領國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8410

**INTERIM
REPORT
2017/18**

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

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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. 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. Lo Wai Ho Ashley
Mr. Von John
Mr. Lam Tak Ling

Non-executive Director

Dr. Tang Sing Hing Kenny

Independent non-executive Directors

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

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

COMPLIANCE OFFICER

Mr. Von John

COMPANY SECRETARY

Ms. Wong Man Shan Joyce (*HKICPA*)

AUTHORISED REPRESENTATIVES

Mr. Von John
Ms. Wong Man Shan Joyce

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR

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LEGAL ADVISOR

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21/F, Bank of China Tower
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COMPLIANCE ADVISER

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Central
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
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Hong Kong

COMPANY'S WEBSITE

www.edvancesecurity.com

STOCK CODE

8410

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (the “**Group**”) recorded revenue and gross profit of approximately HK\$131.4 million and HK\$39.1 million for the six months ended 30 September 2017, representing an increase of approximately 28.7% and 44.3% respectively when compared with revenue and gross profit of approximately HK\$102.1 million and HK\$27.1 million for the six months ended 30 September 2016.

The net profit after tax of the Group for the six months ended 30 September 2017 increased to approximately HK\$7.3 million (six months ended 30 September 2016: HK\$4.8 million). It was mainly due to the combined effect of increase in gross profit and increase in administrative expenses during the six months ended 30 September 2017.

The board of Directors do not recommend the payment of a dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2017, together with the audited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017	2016	2017	2016
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Revenue	4	76,924	49,355	131,424	102,062
Cost of sales		(53,504)	(36,916)	(92,278)	(74,994)
Gross profit		23,420	12,439	39,146	27,068
Other income		252	64	361	288
Other gains and losses, net		70	(19)	53	82
Distribution and selling expenses		(5,655)	(5,787)	(10,698)	(9,243)
Administrative expenses		(10,682)	(3,970)	(19,213)	(8,961)
Listing expenses		–	(1,800)	(178)	(2,500)
Finance costs		(152)	(43)	(446)	(251)
Profit before taxation	5	7,253	884	9,025	6,483
Taxation	6	(1,220)	(697)	(1,704)	(1,674)
Profit for the period		6,033	187	7,321	4,809
Other comprehensive income/ (expense) for the period:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		132	(107)	225	(289)
Total comprehensive income for the period		6,165	80	7,546	4,520

Note	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (audited)
Profit (loss) for the period attributable to:				
– owners of the Company	6,033	(413)	7,321	3,440
– non-controlling interests	–	600	–	1,369
	6,033	187	7,321	4,809
Total comprehensive income for the period attributable to:				
– owners of the Company	6,165	(493)	7,546	3,207
– non-controlling interests	–	573	–	1,313
	6,165	80	7,546	4,520
Earnings (loss) per share attributable to owners of the Company				
– Basic (HK cents)	0.60	(0.07)	0.75	0.58
– Diluted (HK cents)	0.60	N/A	0.75	N/A

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017 and as at 31 March 2017

	Notes	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Non-current assets			
Property and equipment	9	8,454	8,960
Prepayment and deposits	10	25,441	27,155
Deferred tax assets		294	294
		34,189	36,409
Current assets			
Inventories		13,917	5,246
Trade and other receivables, prepayment and deposits	10	105,526	92,092
Tax recoverable		–	2,364
Bank balances and cash		61,293	18,499
		180,736	118,201
Current liabilities			
Trade and other payables and accruals	11	93,941	93,851
Bank borrowings	12	7,834	27,022
Obligations under finance leases		19	146
Provisions		1,826	1,826
Derivative financial instruments	13	–	38
Tax liabilities		224	–
		103,844	122,883
Net current assets (liabilities)		76,892	(4,682)
Total assets less current liabilities		111,081	31,727

	Notes	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Non-current liabilities			
Deferred revenue	11	21,056	22,532
Net assets		90,025	9,195
Capital and reserves			
Share capital	14	10,000	–
Reserves		80,025	9,195
Total equity		90,025	9,195

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Attributable to owners of the Company			Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
			Share option reserve HK\$'000	Other reserves HK\$'000	Translation reserve HK\$'000				
At 1 April 2016 (audited)	1	-	-	(1,298)	274	11,160	10,137	1,931	12,068
Profit for the period	-	-	-	-	-	3,440	3,440	1,369	4,809
Other comprehensive expense for the period	-	-	-	-	(233)	-	(233)	(56)	(289)
Total comprehensive (expense) income for the period	-	-	-	-	(233)	3,440	3,207	1,313	4,520
Partial disposal of subsidiaries without losing control (Note (i))	-	-	-	(1,350)	-	-	(1,350)	1,350	-
At 30 September 2016 (audited)	1	-	-	(2,648)	41	14,600	11,994	4,594	16,588
At 1 April 2017 (audited)	-	-	-	3,633	(184)	5,746	9,195	-	9,195
Profit for the period	-	-	-	-	-	7,321	7,321	-	7,321
Other comprehensive income for the period	-	-	-	-	225	-	225	-	225
Total comprehensive income for the period	-	-	-	-	225	7,321	7,546	-	7,546
Issue of shares by capitalisation of share premium (Note (ii))	7,500	(7,500)	-	-	-	-	-	-	-
Issue of new shares (Note (ii))	2,500	77,500	-	-	-	-	80,000	-	80,000
Listing expenses related to the issue of new shares	-	(7,475)	-	-	-	-	(7,475)	-	(7,475)
Recognition of equity-settled share-based expenses (Note 15)	-	-	759	-	-	-	759	-	759
At 30 September 2017 (unaudited)	10,000	62,525	759	3,633	41	13,067	90,025	-	90,025

Notes:

- (i) On 24 June 2016, 8% equity interest in Best Gear Group Limited were disposed by Mr. Lo Wai Ho Ashley to non-controlling shareholders of the Company, resulting a deficit changed to other reserves.
- (ii) On 19 April 2017, the Company issued 749,999,900 new shares of HK\$0.01 each (the "Shares") through capitalisation of HK\$7,499,999 standing to the credit of share premium account of the Company. Also, as a result of the share offer, 250,000,000 new Shares were issued at an offer price of HK\$0.32 per Share.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (audited)
Net cash used in operating activities	(5,082)	(2,343)
Net cash used in investing activities	(1,249)	(1,129)
Net cash generated from financing activities	48,720	716
Net increase (decrease) in cash and cash equivalents	42,389	(2,756)
Cash and cash equivalents at the beginning of the period	18,499	12,494
Effect of exchange rate changes	405	(289)
Cash and cash equivalents at the end of the period	61,293	9,449

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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. Pursuant to a group reorganisation (the “**Reorganisation**”) to rationalise the structure of the Group in preparation of the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 31 March 2017 (the “**Prospectus**”) and Note 2 to the Consolidated Financial Statements in the annual report of the Company for the year ended 31 March 2017.

On 19 April 2017, the Company issued 749,999,900 new Shares through capitalisation of HK\$7,499,999 standing to the credit of share premium account of the Company. Also, as a result of the share offer, 250,000,000 new Shares were issued at an offer price of HK\$0.32 per Share.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017 (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 2017.

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 15 to the condensed consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Company revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services rendered, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the Reporting Period, the Group has adopted new or revised HKFRSs issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on or after 1 April 2017. There was no material impact on the Group's interim financial information upon the adoption of these new or revised HKFRSs.

The Group has not applied any new or revised HKFRSs that is not yet effective for the Reporting Period.

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 2017			Six months ended 30 September 2017		
	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	48,007	28,917	76,924	78,509	52,915	131,424
Segment results	13,230	10,190	23,420	19,728	19,418	39,146

	Three months ended 30 September 2016			Six months ended 30 September 2016		
	IT Security Products HK\$'000 (unaudited)	IT Security Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	IT Security Products HK\$'000 (audited)	IT Security Services HK\$'000 (audited)	Total HK\$'000 (audited)
Segment revenue	27,029	22,326	49,355	56,983	45,079	102,062
Segment results	3,964	8,475	12,439	11,661	15,407	27,068

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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (audited)
Profit for the period has been arrived at after charging:				
Staff costs:				
Directors' remuneration	2,518	870	4,261	2,573
Other staff costs	10,962	7,964	18,044	13,744
Contributions to retirement benefit schemes	459	374	897	642
Equity-settled share-based expenses	759	–	759	–
	14,698	9,208	23,961	16,959
Auditor's remuneration	361	185	734	370
Cost of inventories recognised as an expense	24,079	21,756	56,933	45,102
Depreciation of property and equipment	905	222	1,737	497
Minimum lease payments in respect of office premises	1,393	648	2,928	1,539

6. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (audited)
Current tax:				
Hong Kong Profits Tax	1,074	697	1,415	1,674
Macau Complementary Tax	146	–	289	–
	1,220	697	1,704	1,674

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2017 and 2016.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the period. No provision of Macau Complementary Tax was made for the six months ended 30 September 2016 as the subsidiary in Macau incurred a tax loss during the period.

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 2017 and 2016.

7. EARNINGS (LOSS) 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted earnings per share	6,033	(413)	7,321	3,440

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	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	1,000,000,000	570,000,000	974,043,716	597,540,984
Shares deemed to be issued in respect of share options	4,416,808	–	2,208,404	–
Weighted average number of shares used in the calculation of diluted earnings per share	1,004,416,808	570,000,000	976,252,120	597,540,984

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in note 14 has been effective on 1 April 2016.

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

9. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property and equipment of approximately HK\$1,231,000 (six months ended 30 September 2016: HK\$1,519,000)

10. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Current		
Trade receivables	65,917	60,971
Prepayment to suppliers for maintenance and support services	34,627	25,152
Deferred listing expenses	–	5,000
Prepayment and others	4,982	969
	105,526	92,092
Non-current		
Rental deposits	1,480	1,348
Deposits for life insurance contracts	12,328	12,185
Prepayment of life insurance charged	558	578
Prepayment to suppliers for maintenance and support services	11,075	13,044
	25,441	27,155
Total trade and other receivables, prepayment and deposits	130,967	119,247
Analysed as:		
Current	105,526	92,092
Non-current	25,441	27,155
	130,967	119,247

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 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0 to 30 days	34,817	37,997
31 to 60 days	15,811	17,345
61 to 90 days	6,507	3,003
91 to 120 days	5,088	1,585
121 to 365 days	3,694	1,041
	65,917	60,971

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade payables	27,813	28,035
Accrued expense	5,898	5,470
Accrued listing expenses	–	8,953
Payables for purchase of property and equipment	3,168	3,168
Deferred revenue (note)	76,393	69,158
Others	1,725	1,599
	114,997	116,383
Analysed as:		
Current	93,941	93,851
Non-current (note)	21,056	22,532
	114,997	116,383

Note: The amounts represent the prepayment received from the customers for the Group's maintenance and support services over the maintenance and support period. The deferred revenue is recognised as revenue using straight-line method over the terms of respective contracts, and amounts to be released to profit or loss after twelve months of the reporting period are presented as non-current liabilities.

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
0 to 30 days	19,040	15,002
31 to 60 days	3,569	6,089
61 to 90 days	220	346
91 to 120 days	–	937
Over 365 days	4,984	5,661
	27,813	28,035

12. BANK BORROWINGS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Secured and guaranteed bank borrowings	7,834	27,022
Carrying amount payable:		
Within one year	3,900	21,419
More than one year but not more than two years	1,035	2,197
More than two years but not more than five years	2,899	3,309
More than five years	–	97
	7,834	27,022
Less: Amounts due within one year or contain a repayment on demand clause	(7,834)	(27,022)
Repayable more than one year	–	–

The bank borrowings are at floating rates which carry interest at HK\$/United States Dollar (“**US\$**”) Best Lending Rate or Hong Kong Interbank Offered Rate (“**HIBOR**”) minus a spread. The effective interest rates on the Group’s bank borrowings were 4.3% to 6.0% per annum as at 30 September 2017 (As at 31 March 2017: 4.0% to 6.0%). The bank borrowings are repayable on demand or repayable within one year and hence classified as current liabilities.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into a US\$/HK\$ net-settled structured foreign currency forward contract with a bank in Hong Kong on 17 March 2016. The bank may terminate the contract at its sole discretion. The Group did not account for this derivative financial instruments under hedge accounting.

The Group is required to settle with the bank monthly during contract period for designated notional amount. If the spot rate for conversion of US\$ for HK\$ as prevailing in the international foreign exchange market (“**Spot Rate**”) on determination date is higher than or equal to 7.7200, the Group will buy US\$250,000 from the bank at 7.7200. If the spot rate on determination date is lower than 7.7200, the Group will buy US\$500,000 from the bank at 7.7200.

The above contract is measured at fair value at the end of each reporting period. The bank terminated the contract on 31 May 2017. The Group was released from any obligation or liabilities under the transactions.

14. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016 under the Companies Law of the Cayman Islands. As at the date of incorporation of our Company on 7 July 2016, its authorised share capital was HK\$100,000 divided into 10,000,000 Shares having a par value of HK\$0.01 each. On 23 March 2017, the authorised share capital of the Company was further increased from HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of further 1,990,000,000 shares pursuant to a resolution passed by the shareholders of the Company.

On 19 April 2017, the Company issued 749,999,900 new shares of HK\$0.01 each through capitalisation of HK\$7,499,999 standing to the credit of share premium account of the Company. Also, as a result of the share offer, 250,000,000 new shares were issued at an offer price of HK\$0.32 per Share.

15. SHARE-BASED PAYMENTS TRANSACTIONS

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group pursuant to a resolution passed on 23 March 2017.

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

Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options (the “**Share Options**”) to subscribe for Shares:

- (i) any director, employee, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any entity in which the Company or any subsidiary holds any interest;
- (ii) any discretionary trust the discretionary objects of which include any director, employee, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and
- (iii) any corporation wholly-owned by any person mentioned in clause (i) above.

Share Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1.00. An offer may not be accepted by an Eligible Participant who ceases to be an Eligible Participant after an offer is made to him but before his acceptance. No offer shall be capable of or open for acceptance after the date that falls on expiry of 10 years commencing on the date of which the Share Option Scheme is adopted.

Share Options exercise price is the highest of (i) the nominal value of a share of the Company; (ii) the closing price of the Shares as stated in the daily quotations sheet of Stock Exchange on the date of the offer for granting the Share Options; and (iii) the average price of Shares as stated in the daily quotations sheets on the Stock Exchange.

On 7 July 2017, the Company has granted 18,000,000 Share Options to the Company’s employees at the exercise price of HK\$0.65 per option share. The Share Options is valid for a period of five years commencing from the relevant vesting date. The closing price of the Company’s share immediately before 7 July 2017, the date before grant, was HK\$0.67.

Movement of the Company's Share Options during the Reporting Period are as followings:

	Number of share options
At 1 April 2017	–
Granted during the period	18,000,000
Lapsed during the period	(1,380,000)
	<hr/>
At 30 September 2017	<u>16,620,000</u>

During the Reporting Period, Share Options were granted on 7 July 2017. The estimated fair value of the Share Options determined at the date of grant using the Binomial option pricing model was HK\$5,122,000. The variables and assumptions used in computing the fair value of the Share Options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Share Options.

The following assumptions were used to calculate the fair values of Share Options:

Grant date share price:	HK\$0.63
Exercise price:	HK\$0.65
Expected life:	5 years from vesting date
Expected volatility:	49.3% to 51.05%
Dividend yield:	0%
Risk-free interest rate:	1.2995% to 1.4423%

The Group recognised an expense of HK\$759,000 in relation to share options granted by the Company for the period ended 30 September 2017.

16. RELATED PARTY TRANSACTIONS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (audited)
Interest paid to Success Vision International Group Limited	–	88	–	88
Services fees paid/payable to Columns Asia Limited	101	132	101	156
	<hr/>			

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company were successfully listed (the “**Listing**”) on the GEM of the Stock Exchange on 19 April 2017 (the “**Listing Date**”) by way of share offer.

The Group is an IT Security Solutions value-added distributor, we introduce IT Security Products and provide related IT Security Services to Hong Kong, the PRC, Singapore and Macau. 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 2017 (“**FY2018 1H**”), the Group continues to grow its business through promoting existing product and services to its existing market through its customers. Additionally, the Group has come into distribution relationship with four new security product vendors, with the aim to addressing emerging cybersecurity threats and to better manage still-existing security loopholes as technology continues to innovate.

To support business growth, the Group continues to strive to achieve better efficiency and to ensure a sizable workforce is available. During FY2018 1H, a new enterprise resource planning system (the “**ERP System**”) is deployed to better manage our internal processes and support core business operations. In terms of workforce, the Group continues to depend on having a talented and experienced workforce for its success. We continue to recruit new talents, and also rolled out employee option scheme in July 2017 to better retain and attract talents to the Group.

OUTLOOK AND PROSPECTS

Rapidly growing connectivity and the accelerating pace of digital transformation expose the regions and make them vulnerable to cyber exploitation. Business concerns around the likelihood and impact of technological threats has sharpened and cyberattacks is one of the top risks amongst the enterprises that the Group works with. In this sense, the Group continues to see strong interest in cyber security from the market across our key trading geographies, contributing to business growth in the short and medium term.

In parallel, competition in this sector remain fierce. The Group is working on the new products to be ready for mainstream adaptation in enterprises and through our customer networks.

Singapore with its reach in South Asia continues to be an important expansion region for the Group and the business operation there will receive investment to strengthen its operation with better space and a stronger workforce, along with more diverse offering of products and services.

Finally the Group will continue to drive ERP deployment roadmap targeting to improve sales and operation productivity.

The Group believes that the numerous initiatives and continuation of current investment policies will enhance the overall competitive position in our operating environments and contributes to our success. Moving forwards the Group will leverage existing platforms and growth momentum to continue with the first 6-month success; as well as following Group's policies in operation to strengthen its financial position.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$29.3 million, or 28.7%, from approximately HK\$102.1 million for the six months ended 30 September 2016 ("FY2017 1H") to approximately HK\$131.4 million for FY2018 1H. The increase was mainly due to the introduction of new vendors and the growth in sales of the existing products carried out by our Group with increased market penetration of such products.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$12.0 million, or 44.3%, from approximately HK\$27.1 million in FY2017 1H to approximately HK\$39.1 million in FY2018 1H. The increase was in line with the increase in revenue. The gross profit margin increased by approximately 3.3% from approximately 26.5% in FY2017 1H to approximately 29.8% in FY2018 1H.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately HK\$1.5 million, or 16.3%, from approximately HK\$9.2 million in FY2017 1H to approximately HK\$10.7 million in FY2018 1H which was mainly due to increase in staff cost.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$10.2 million, or 113.3%, from approximately HK\$9.0 million in FY2017 1H to approximately HK\$19.2 million in FY2018 1H. The increase was mainly due to (i) the increase in rental expenses and depreciation provided for our expansion of Hong Kong headquarters by approximately HK\$3.2 million; (ii) the increase in consultancy and professional fees incurred for our compliance requirements upon Listing by approximately HK\$1.0 million; and (iii) the increase in staff cost by approximately HK\$4.0 million.

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\$3.4 million in FY2017 1H to approximately HK\$7.3 million in FY2018 1H.

DIVIDEND

The Board do not recommend the payment of any dividend for FY2018 1H (FY2017 1H: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During FY2018 1H, the Group financed its operation mainly through cash generated from our operating activities, banking facilities and capital contribution from its shareholders. As at 30 September 2017, we had cash and cash equivalents of approximately HK\$61.3 million (As at 31 March 2017: HK\$18.5 million) and bank borrowings approximately HK\$7.8 million (As at 31 March 2017: HK\$27.0 million).

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total debt (defined as the sum of bank borrowings and obligation under finance leases as at the respective year end divided by total equity as at the respective corresponding periods) was approximately 8.7% as at 30 September 2017 (As at 31 March 2017: 295.5%).

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the sum of bank borrowings and obligation under finance leases minus cash and cash equivalents as at the respective period/year end divided by total equity as at the respective corresponding periods) was net cash as at 30 September 2017 (As at 31 March 2017: 94.3%).

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

CAPITAL STRUCTURE

As at 30 September 2017, 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 2017, 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 2017.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2017, 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 (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 2017.

CHARGE ON GROUP'S ASSETS

As at 30 September 2017, the Group's bank borrowings and obligations under finance leases were secured by life insurance contracts and motor vehicles.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had 79 employees (30 September 2016: 70) 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\$24.0 million and HK\$16.4 million for 30 September 2017 and 2016, 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 2017.

Business objectives up to 30 September 2017 as set out in the Prospectus

Expansion and renovation of our Hong Kong headquarters

Establishment of the detection and response center (the "DRC")

Upgrading our management systems

Increasing our marketing efforts

Expanding our workforce

Actual implementation plan up to 30 September 2017

The Group has completed the expansion of its headquarters and is fully operating from the new (current) facility.

The Group has been continuing to invest in the DRC and improving its offering with better products and services in Hong Kong and Singapore.

The Group has purchased a new management system and is migrating business operations into it.

The Group has been increasing our marketing efforts, including taking part in numerous events and organising marketing activities to increase our presence.

The Group has been continuing to recruit new staff to join our workforce. While some new members are recruited, the Group is still in the process of attracting further headcounts.

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 2017:

Use of proceeds	Net proceeds from the Listing HK\$ million	Planned use of net proceeds as stated in the prospectus up to 30 September 2017	Actual use of net proceeds up to 30 September 2017
		HK\$ million	HK\$ million
Expansion and renovation of Hong Kong headquarters (Note)	3.2	3.2	–
Establishment of the detection and response centre	2.4	0.1	–
Upgrading the management systems	3.7	1.7	0.5
Upgrading the network infrastructure	1.2	–	–
Expansion of operation in Singapore as the Services Hub together with its renovation	22.5	–	–
Investment in demonstration equipment	3.0	–	–
Increasing the marketing efforts	1.2	0.2	0.2
Expanding the workforce	16.7	0.1	0.1
General working capital	2.1	0.5	0.5
		<hr/>	<hr/>
Total	56.0	5.8	1.3

Note: The cost of expansion and renovation of Hong Kong headquarters was fully provided as at 30 September 2017 which will be paid when all defects are remedied.

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. Since the Listing Date and up to 30 September 2017, a total of 18,000,000 share options to subscribe for 18,000,000 ordinary shares of HK\$0.01 each of the Company, representing approximately 1.8% of the issued share capital of the Company, were granted to 60 employees under the Share Option Scheme. 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 the period and outstanding as at 30 September 2017 are as follows:

Grantee	Date of grant of share options	Exercise price of share options HK\$	Closing price immediately before date of grant HK\$	Exercise period (both dates inclusive)	At 1 April 2017	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 September 2017
Employees	7 July 2017	0.65	0.67	7 July 2018 to 6 July 2023	-	7,200,000	-	(552,000)	6,648,000
	7 July 2017	0.65	0.67	7 July 2019 to 6 July 2024	-	5,400,000	-	(414,000)	4,986,000
	7 July 2017	0.65	0.67	7 July 2020 to 6 July 2025	-	5,400,000	-	(414,000)	4,986,000
Total Employees					-	18,000,000	-	(1,380,000)	16,620,000

As at the date of this report, the Company may grant further share options to subscribe for up to 82,000,000 shares, representing approximately 8.2% of the number of shares in issue of the Company pursuant to the Share Option Scheme.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, 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 controlled corporation	570,000,000	57.00%
Mr. Lee Francis Sung Kei ⁽⁴⁾	Interest of controlled corporation	22,500,000	2.25%
Mr. Lo Wai Ho Ashley ⁽¹⁾	Interest of controlled corporation	570,000,000	57.00%
Mr. Von John ⁽³⁾	Interest of controlled corporation	60,000,000	6.00%
Mr. Lam Tak Ling ⁽⁵⁾	Interest of controlled corporation	22,500,000	2.25%
Dr. Tang Sing Hing Kenny ⁽²⁾	Interest of controlled corporation	75,000,000	7.50%

Notes:

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

Save as disclosed above, as at 30 September 2017, 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 report, at no time since the Listing Date 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 IN SHARES AND UNDERLYING SHARES

As at 30 September 2017 and up to the date of this report, 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, an executive Director, respectively. Each of Mr. Liu Yui Ting Raymond, Director, and Mr. Lo Wai Ho Ashley, Director, 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, an 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 2017, 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 report.

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 since the Listing Date and up to the date of this report.

COMPETING INTEREST

Since the Listing Date and up to the date of this report, 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 2017, which have been approved by the Board on 13 November 2017 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 since the Listing Date and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date 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. Since the Listing Date and up to the date of this report, 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 2017 and up to the date of this report, 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, 13 November 2017

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

This report will remain on the website of the Growth Enterprise Market 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.