

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: 1410

INTERIM REPORT
2020/21

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Yui Ting Raymond
(Chairman and Chief Executive Officer)
Mr. Lee Francis Sung Kei
Mr. Von John
Mr. Lam Tak Ling

Non-executive Directors

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

Independent non-executive Directors

Mr. Yu Kwok Chun Raymond
Mr. Ng Tsz Fung Jimmy
Mr. Chan Siu Ming Simon
Mrs. Wong Hung Flavia Yuen Yee

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

Mr. Yuen Chun Fai *(HKICPA)* (Appointed on 1 June 2020)
Ms. Wong Man Shan Joyce *(HKICPA)*
(Resigned on 1 June 2020)

AUTHORISED REPRESENTATIVES

Mr. Von John
Mr. Yuen Chun Fai *(HKICPA)* (Appointed on 1 June 2020)
Ms. Wong Man Shan Joyce *(HKICPA)*
(Resigned on 1 June 2020)

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F., One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

Holman Fenwick Willan
15th Floor, Tower One, Lippo Centre
89 Queensway
Admiralty
Hong Kong

CORPORATE INFORMATION (continued)

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Building
181 Queen's Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, Monterey Plaza
15 Chong Yip Street
Kwun Tong, Kowloon
Hong Kong

REGISTERED OFFICE

PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

STOCK CODE

1410

COMPANY'S WEBSITE

www.edvanceintl.com

FINANCIAL HIGHLIGHTS

The Group recorded a revenue and gross profit of approximately HK\$200.5 million and HK\$56.3 million for the six months ended 30 September 2020, representing an increase of approximately 3.9% and 5.2%, respectively when compared with the revenue and gross profit of approximately HK\$193.0 million and HK\$53.5 million for the six months ended 30 September 2019.

The net profit after tax of the Group for the six months ended 30 September 2020 increased to approximately HK\$15.0 million (six months ended 30 September 2019: approximately HK\$10.4 million), representing an increase of approximately 44.2% as compared to the corresponding period in 2019.

The board of Directors ("**Board**") does not recommend the payment of a dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020, together with the unaudited comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	200,498	193,019
Cost of sales		(144,187)	(139,556)
Gross profit		56,311	53,463
Other income		397	661
Other gains and losses, net		(242)	(351)
Distribution and selling expenses		(13,692)	(12,822)
Administrative and other expenses		(23,183)	(25,786)
Net impairment losses on trade receivables and contract assets		–	(93)
Finance costs		(618)	(751)
Profit before taxation	6	18,973	14,321
Taxation	7	(3,995)	(3,874)
Profit for the period		14,978	10,447
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		144	(613)
Total comprehensive income for the period		15,122	9,834
Earnings per share	8		
– Basic and diluted (HK cents)		1.49	1.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 and as at 31 March 2020

	Notes	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Non-current assets			
Property and equipment	10	52,820	50,193
Prepayments and deposits	11	47,297	44,299
		100,117	94,492
Current assets			
Inventories		7,640	8,395
Trade and other receivables, prepayments and deposits	11	163,111	154,754
Tax recoverable		20	20
Contract assets	12	4,127	4,782
Bank balances and cash		89,282	73,559
		264,180	241,510
Current liabilities			
Trade and other payables and accruals	13	53,580	50,503
Lease liabilities		6,566	5,171
Contract liabilities		100,531	91,785
Bank borrowings	14	2,831	3,530
Tax liabilities		7,539	3,607
		171,047	154,596
Net current assets		93,133	86,914
Total assets less current liabilities		193,250	181,406

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2020 and as at 31 March 2020

	Notes	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		6,387	6,762
Contract liabilities		46,637	42,171
Bank borrowings	14	20,113	19,559
		73,137	68,492
Net assets		120,113	112,914
Capital and reserves			
Share capital	15	10,049	10,014
Reserves		110,064	102,900
Total equity		120,113	112,914

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2020 (audited)	10,014	63,805	3,633	2,732	(391)	33,121	112,914
Profit for the period	-	-	-	-	-	14,978	14,978
Other comprehensive income for the period	-	-	-	-	144	-	144
Total comprehensive income for the period	-	-	-	-	144	14,978	15,122
Dividend paid (Note 9)	-	-	-	-	-	(10,014)	(10,014)
Transfer to accumulated profits upon forfeiture of share options	-	-	-	(152)	-	152	-
Recognition of equity-settled share-based expenses	-	-	-	63	-	-	63
Issue of shares under share award scheme	35	1,995	-	-	-	-	2,030
Transaction costs directly attributable to issue of shares	-	(2)	-	-	-	-	(2)
At 30 September 2020 (unaudited)	10,049	65,798	3,633	2,643	(247)	38,237	120,113
At 1 April 2019 (audited)	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 9)	-	-	-	-	-	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash generated (used in) from operating activities	37,115	(3,035)
Net cash used in investing activities	(7,119)	(2,429)
Net cash used in financing activities:		
Payments of lease liabilities	(2,617)	(2,044)
Dividend paid	(10,014)	(30,043)
Other financing cash flows	(1,970)	(2,282)
	(14,601)	(34,369)
Net increase (decrease) in cash and cash equivalents	15,395	(39,833)
Cash and cash equivalents at the beginning of the period	73,559	73,725
Effect of exchange rate changes	328	(499)
Cash and cash equivalents at the end of the period represented by bank balances and cash	89,282	33,393

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL

Edvance International Holdings Limited (“**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 its shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The Company completed transfer of listing of its shares from GEM to the Main Board of the Stock Exchange with effective from 24 December 2019.

2. BASIS OF PREPARATION

These 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 provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange (“**Listing Rules**”).

These condensed consolidated interim financial information are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial information contain condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2020 (“**2020 Annual Financial Statements**”). These condensed consolidated interim financial information and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the 2020 Annual Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial information have been prepared with the same accounting policies adopted in the 2020 Annual Financial Statements, except for those that relate to new standards or interpretations issued by the HKICPA mandatory for the annual periods beginning on or after 1 April 2020. The effect of the adoption of these standards, amendments and interpretation is not material on these condensed consolidated interim financial information except for the effects as described in the 2020 Annual Financial Statements.

In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Annual Financial Statements.

The HKICPA has issued a number of new or amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group's condensed consolidated interim financial information.

The Group has not adopted new or amendments to HKFRSs that have been issued but are not yet effective in advance. The Directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

4. 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 for the period.

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 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	110,233	106,023
IT Security Services business*		
– provision of technical implementation services	14,605	20,037
– provision of maintenance and support services	75,660	66,959
	90,265	86,996
	200,498	193,019

* The segment names are defined in the section "Segment information" in note 5.

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Timing of revenue recognition:		
Over time	90,265	86,996
A point in time	110,233	106,023
	200,498	193,019

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

5. SEGMENT INFORMATION

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments are therefore 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 and maintenance and support services to customers by the Group.

An analysis of the Group's operating and reportable segment revenue and segment results is as below:

	Six months ended 30 September 2020		
	IT Security Products HK\$'000 (unaudited)	IT Security Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	110,233	90,265	200,498
Segment results	30,202	26,109	56,311
Other income			397
Other gains and losses, net			(242)
Distribution and selling expenses			(13,692)
Administrative and other expenses			(23,183)
Net impairment losses on trade receivables and contract assets			-
Finance costs			(618)
Profit before taxation			18,973

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

5. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Six months ended 30 September 2019		
	IT Security Products HK\$'000 (unaudited)	IT Security Services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	106,023	86,996	193,019
Segment results	27,235	26,228	53,463
Other income			661
Other gains and losses, net			(351)
Distribution and selling expenses			(12,822)
Administrative and other expenses			(25,786)
Net impairment losses on trade receivables and contract assets			(93)
Finance costs			(751)
Profit before taxation			14,321

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 contract assets 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 chief operation decision maker for review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

5. SEGMENT INFORMATION (continued)

Geographical information

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Geographical markets:		
Hong Kong	170,770	153,739
Macau (note)	14,382	22,489
Mongolian People's Republic (" Mongolia ") (note)	3,785	2,973
The People's Republic of China (" PRC ") (excluding Hong Kong and Macau)	8,302	9,797
Republic of Singapore (" Singapore ")	3,259	4,021
	200,498	193,019

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

6. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging:		
Staff costs:		
Directors' remuneration	4,998	4,852
Other staff costs	25,104	25,324
Contributions to retirement benefit schemes	1,218	1,338
Share-based expenses	2,093	287
	33,413	31,801
Auditor's remuneration	675	757
Cost of inventories recognised as an expense	80,031	78,788
Expenses relating to short-term leases	144	440
Transfer of listing and related expenses (included in administrative and other expenses)	–	5,671
Depreciation of right-of-use assets	2,991	2,442
Depreciation of other property and equipment	2,192	1,906
Depreciation of property and equipment	5,183	4,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

7. TAXATION

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	3,945	3,465
PRC Enterprise Income Tax ("EIT")	–	174
Macau Complementary Tax	50	235
	3,995	3,874

For the six months ended 30 September 2020 and 2019, 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 2020 and 2019.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the six months ended 30 September 2020 and 2019.

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 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

8. 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:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	14,978	10,447

	Six months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,001,981,519	1,001,446,000

For the six months ended 30 September 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of share options because the exercise price of those share options was higher than the average market price of the company's shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

9. DIVIDEND

A final dividend of HK\$0.01 per share of the Company with aggregate amount of approximately HK\$10,014,000 in respect of the year ended 31 March 2020 has been declared and paid by the Company during the six months ended 30 September 2020.

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

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

10. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property and equipment of approximately HK\$3,853,000 (six months ended 30 September 2019: approximately HK\$2,937,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Current		
Trade receivables	93,709	87,746
Less: allowance for credit losses	(683)	(683)
	93,026	87,063
Prepayments to suppliers for maintenance and support services	65,113	65,851
Other tax receivables	–	18
Deposit paid for subscription of shares (note)	3,600	–
Prepayments and others	1,372	1,822
	163,111	154,754
Non-current		
Rental deposits	1,907	2,047
Deposits for life insurance contracts	13,353	13,177
Prepayment of life insurance charged	434	454
Prepayments to suppliers for maintenance and support services	31,603	28,621
	47,297	44,299
Total trade and other receivables, prepayments and deposits	210,408	199,053

Note: The deposit was paid by a direct wholly-owned subsidiary of the Company, to subscribe shares of Royston Financial Group Limited. Details of the subscription of shares are set out in the section headed "Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies" of this report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 to 30 days	83,392	45,979
31 to 60 days	6,906	20,628
61 to 90 days	456	9,987
91 to 120 days	416	4,905
121 to 365 days	1,856	5,564
	93,026	87,063

12. CONTRACT ASSETS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Contract assets from technical implementation services contracts	4,157	4,812
Less: allowance for credit losses	(30)	(30)
	4,127	4,782

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade payables	42,464	41,856
Accrued expenses	4,959	2,761
Accrued staff costs	5,973	5,555
Others	184	331
	53,580	50,503

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 to 30 days	37,461	35,408
31 to 60 days	–	1,054
61 to 90 days	–	–
91 to 120 days	–	392
121 to 365 days	–	19
Over 365 days	5,003	4,983
	42,464	41,856

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

14. BANK BORROWINGS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Secured and guaranteed bank borrowings	22,944	23,089
Carrying amount payable:		
Within one year	2,135	2,255
More than one year but not more than two years	1,729	2,306
More than two years but not more than five years	3,235	3,638
More than five years	15,845	14,890
	22,944	23,089
Less: Amounts due within one year or contains a repayment on demand clause shown under current liabilities	(2,831)	(3,530)
Amounts shown under non-current liabilities	20,113	19,559

As at 30 September 2020, bank borrowing of approximately HK\$21,124,000 (31 March 2020: approximately HK\$20,715,000) 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\$29,587,000 (31 March 2020: approximately HK\$29,911,000) and corporate guarantee provided by the Group. The remaining bank borrowings of approximately HK\$1,820,000 (31 March 2020: approximately HK\$2,374,000) are secured by the deposits for life insurance contracts as set out in note 11 and corporate guarantee provided by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

15. 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 2019, 30 September 2019, 1 April 2020 and 30 September 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2019 (audited), 30 September 2019 (unaudited) and 1 April 2020 (audited)	1,001,446,000	10,014
Issue of shares under share award scheme (note)	3,500,000	35
At 30 September 2020 (unaudited)	1,004,946,000	10,049

Note: During the six months ended 30 September 2020, a total of 3,500,000 new ordinary shares of HK\$0.01 each of the Company were issued and allotted to four employees under the share award scheme adopted on 1 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2020

16. RELATED PARTY TRANSACTIONS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Marketing expenses to Wepro 180 (Hong Kong) Limited (note)	600	600

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

17. EVENT AFTER THE END OF REPORTING PERIOD

On 9 October 2020, the Company, as the purchaser, entered into the sale and purchase agreement with the vendors ("**Sale and Purchase Agreement**"), pursuant to which the Company had agreed to purchase all issued shares ("**Sale Shares**") of Wepro180 Group Limited ("**Wepro180**") and the vendors had agreed to sell the Sale Shares at the consideration of HK\$3,500,000. Mr. Liu Yui Ting Raymond ("**Mr. Raymond Liu**") was one of the vendors and Mr. Raymond Liu directly owned 89% equity interests of Wepro180. Therefore, Mr. Raymond Liu, being the chief executive officer, an executive director and a controlling shareholder of the Company was a connected person of the Company and the entering of the Sale and Purchase Agreement with Mr. Raymond Liu constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The completion of the transaction had taken place immediately after execution of the Sale and Purchase Agreement and Wepro180 became a wholly-owned subsidiary of the Company.

Details of the transaction are set out in the announcement the Company dated 9 October 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

It has been an eventful half year for the Group. While the core of 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; we are also diversifying our business nature and portfolio.

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 core business continues to grow positively despite the challenging climate. Even more importantly, the Group is seeing initiate successes in our other lines of business. This half year is also marked by our initiatives to invest in technologies and cybersecurity that would contribute positively to the cybersecurity landscape, and thus to our long-term success.

Our IT Security products and services business continue to grow. The Group continues to see strong demand for cybersecurity solutions, driven by virtualization push, compliance needs and also the realization of flexible remote working policies. Our renewal business also grew year-on-year, indicating strong client stickiness to our services and solutions. Anticipating emerging market demands, the Group came into distribution relationship with two additional products, Blackberry Security and NeuVector, strengthening our solution offering in remote working, as well as DevSecOps respectively.

This six months also saw growing success in our self-owned email security brand – “Green Radar”, our advance security-as-a-service business line. The Group observed increased onboarding of our services, directly or through our reseller partners, with end users. Emerging cyberthreats are indiscriminate and target everyday users, the availability of a low-cost, advance cybersecurity with minimal operational overhead is a practical option for SMEs and key telecom players to provide these essential services to their users. To accommodate growing and foreseeable growth, the Group opened a new dedicated office for the operation of Green Radar in Hong Kong, deploying new technologies and expertise to strengthen its effectiveness. This complements our already established operation centre in Singapore to provide comprehensive services across Asia.

In the reporting period, the Group has made strategic moves in order to tap into financial service area, the Group announced an acquisition of Royston Financial Group Limited (“**Royston Financial**”) in August, which is providing Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) in Hong Kong through its wholly owned subsidiary, Royston Securities Limited. In August 2020, the Group also signed a memorandum of understanding (“**MOU**”) with the holding company of Hong Kong Digital Asset Ex Limited (“**HKbitEX**”), a leading regulated virtual asset platform in Hong Kong, HKbitEX is a highly expected company applying for a virtual asset trading platform license from Hong Kong’s Securities and Futures Commission (“**SFC**”), the MOU was made under our newly established company Axion Global Holdings Limited (“**Axion Global**”).

Looking to the future, the Group plans to diversify our business and holdings portfolio to pave for our long-term success. The founding of our investment and incubation arm, Axion Global and proposed acquisition of Royston Financial as majority shareholder are means to this end. Axion Global and Royston Financial would enable the Group to participate in investment holdings and financial sectors services, as well as diversify our methods of partnering with influential players. Our intention to invest in HKbitEX is prime example of our determination to be an important part of the ecosystem, and ensure the Group plays an influential role in its future.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK AND PROSPECTS

The Group continues to view our core business outlook, as well as investment posture, positively despite the current challenging climate. Cybersecurity demands continue to grow by a market continuously consuming technologies and vulnerable to ever-more sophisticated cyberthreats. The need to adapt technologies for changing working habit has also been conducive to our business growth.

In the immediate term, the core business of the Group is buoyant by strong IT product and services opportunities. While the Group is positive that cybersecurity demand will remain strong in the medium to long term resulted from the transformation of work approach to mobility and increasing reliance on internet. The Group continues to divert resources to capture market demands and is optimistically assured that this would bring about tangible results to our shareholders.

The strategic moves in the first half year have set off on our journey to tap into the financial market, the Group is of the view that our solid technology knowhow and resources provide us an unique advantage in the capital market, which is engaging of virtual asset exchange that requires high standard of technology solutions and support.

Given that the virtual asset trading platform will be regulated, the Group anticipates the regulated virtual asset exchange market will derive ample business opportunities for HKbitEX and financial technology company. We are confident in the future returns and the possible synergy that creates by the potential investment of HKbitEX.

Adding Axion Global as the major vehicle for fund raising and our newly acquired media and community platform – Wepro180 Group Limited, we strive to create an eco-system for cybersecurity field and are equipped with full resources coverage including R&D cybersecurity know-how, technical product and service, media community, incubation and investment platform.

The Group is also encouraged by a drive for technological innovations across the Greater Bay Area, where the Group is actively seeking for partnership, nurturing and incubating creative technologies. Combining with the tangible and geopolitical demand for fintech, the Group believes it is favourably positioning itself to be at the forefront to capture the opportunities that this vast market brings about.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$7.5 million, or approximately 3.9%, from approximately HK\$193.0 million for the six months ended 30 September 2019 ("**FY2020 1H**") to approximately HK\$200.5 million for the six months ended 30 September 2020 ("**FY2021 1H**"). The increase was driven by high demand in cybersecurity market, primarily attributable to the continuing need for virtualization and remote collaboration, catalyzed by COVID-19 during FY2021 1H.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$2.8 million, or approximately 5.2%, from approximately HK\$53.5 million in FY2020 1H to approximately HK\$56.3 million in FY2021 1H. The increase in gross profit was in line with the increase in revenue. The gross profit margin slightly increased by approximately 0.4% to approximately 28.1% in FY2021 1H as compared to approximately 27.7% in FY2020 1H.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately HK\$0.9 million, or approximately 7.0%, from approximately HK\$12.8 million in FY2020 1H to approximately HK\$13.7 million in FY2021 1H which was mainly due to the increase in staff cost in line with the expansion of the Group.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$2.6 million, or approximately 10.1%, from approximately HK\$25.8 million in FY2020 1H to approximately HK\$23.2 million in FY2021 1H. Such decrease was mainly due to the listing expenses for the Proposed Transfer of Listing incurred during FY2020 1H only.

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\$10.4 million in FY2020 1H to approximately HK\$15.0 million in FY2021 1H.

DIVIDEND

The Board does not recommend the payment of any dividend for FY2021 1H (FY2020 1H: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During FY2021 1H, the Group financed its operation mainly through cash generated from our operating activities. As at 30 September 2020, we had cash and cash equivalents of approximately HK\$89.3 million (as at 31 March 2020: approximately HK\$73.6 million).

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 29.9% as at 30 September 2020 (as at 31 March 2020: approximately 31.0%). The Group maintained strong liquidity position during FY2021 1H.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE

As at 30 September 2020, the capital structure of the Company comprised issued share capital and reserves. Detail of movements in the share capital during FY2021 1H are set out in note 15 to the unaudited condensed consolidated statements in this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the paragraphs headed “Outlook and Prospects” above, the Group does not have any future plans for material investments and capital assets as at the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 10 August 2020, Edvance Financial Holdings Limited (“**Edvance Financial**”), as the subscriber, a wholly-owned subsidiary of the Company, entered into the subscription agreement (“**Subscription Agreement**”) with Royston Financial, pursuant to which Edvance Financial had agreed to subscribe for 7,500 new shares of Royston Financial representing 60% of the enlarged issue share capital of the Royston Financial upon completion, at the subscription price of HK\$7,200,000 (“**Share Subscription**”).

Royston Financial owned the entire issued share capital of Royston Securities Limited (“**Royston Securities**”), a company licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“**SFO**”).

As disclosed in the announcement on 10 August 2020, Royston Financial was owned as to (i) 60% indirectly by Mr. Liu Yui Ting Raymond (“**Mr. Raymond Liu**”); (ii) 20% indirectly by Dr. Tang Sing Hang Kenny (“**Dr. Tang**”); and (iii) 20% indirectly by an independent third party. Therefore, Royston Financial is an associate of Mr. Raymond Liu and a connected person of the Company.

The completion of the Share Subscription is conditional upon completion of the conditions precedent as stated in the Subscription Agreement being satisfied (or being waived) on or before the long stop date, which is the date falling on expiry of 6 months after the date of the Subscription Agreement, or such later date as Royston Financial and Edvance Financial may agree in writing. The aforesaid conditions precedent require, among other matters, the approval of the SFC for Edvance Financial (and any other persons where applicable) to become substantial shareholder(s) of Royston Securities under the SFO having been obtained. As at the date of this report, such approval has not been obtained and the Share Subscription has not yet been completed. Details of the Share Subscription are set out in the announcement of the Company dated 10 August 2020.

After completion of the Share Subscription, Royston Financial will become a non-wholly owned subsidiary of the Company.

Saved as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during FY2021 1H.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENT HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during FY2021 1H.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group has no material capital commitments (31 March 2020: Nil) in respect of the property and equipment contracted but not provided for.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (31 March 2020: 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 FY2021 1H.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2020, the Group's bank borrowing is secured by the properties located in Singapore and life insurance contracts entered into with a bank.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had 105 employees (as at 30 September 2019: 91 employees) and most of them were working in the Hong Kong headquarters. We incurred staff costs inclusive of performance related bonus, bonus and directors' emoluments of approximately HK\$33.4 million and HK\$31.8 million for FY2021 1H and FY2020 1H, respectively.

The remuneration package for the Group's employees generally includes salary and bonuses. The Group's employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. The Group conducts annual review of the performance of the Group's employees for determining the level of bonus, salary adjustment and promotion of the Group's employees. The Group also conducts research on the remuneration packages offered for similar positions in Hong Kong in order to keep the Group's remuneration packages at a competitive level. The Company has also adopted share option scheme and share award scheme, which are designed to provide incentives and rewards to the Group's employees.

OTHER INFORMATION

SHARE OPTION SCHEME

On 23 March 2017, the Company had conditionally approved and adopted the share option scheme (“**Share Option Scheme**”) where eligible participants may be granted options entitling them to subscribe for the shares of the Company (“**Shares**”). The purpose of the Share Option Scheme is to enable the Company to grant share options to eligible participants as incentives or rewards for their contribution to the Group.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years until 22 March 2027. Under the Share Option Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant, which includes any director, employee, officer, consultant, customer, supplier, agent, partner or advisor of or contractor to the Group, whom the Board may think fit.

The maximum entitlement of each eligible participant in any 12-month period under the Share Option Scheme shall be 1% of the Company’s issued Share capital from time to time. Any offer under the Share Option Scheme must be accepted by the relevant eligible participant with a payment in favour of the Company of HK\$1 as consideration within 21 days. Any option under the Share Option Scheme, may be exercised at any time during the relevant option period.

The exercise price in respect of any option under the Share Option Scheme shall be not less than the higher of:

- (a) the closing price of the Shares on the date of the offer of the grant;
- (b) the average closing price of the Shares for the five business days immediately preceding the date of the offer of grant; and
- (c) the nominal value of such Shares.

OTHER INFORMATION (continued)

Details of the movements of share options granted, exercised or cancelled/lapsed during the FY2021 1H and outstanding as at 30 September 2020 are as follows:

Share Options Movement Summary

For the six months ended	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)	As at 1 April 2020	Grant during the period	Exercise during the period	Lapsed during the period	Outstanding
										at 30 September 2020
30 September 2020	Employees	7 July 2017	0.65	0.67	7 July 2018 to 6 July 2023	3,326,000	-	-	(108,000)	3,218,000
		7 July 2017	0.65	0.67	7 July 2019 to 6 July 2024	3,405,000	-	-	(81,000)	3,324,000
		7 July 2017	0.65	0.67	7 July 2020 to 6 July 2025	3,405,000	-	-	(81,000)	3,324,000
Total employees						10,136,000	-	-	(270,000)	9,866,000

During FY2021 1H, no share options were granted, exercised and cancelled, whereas options in respect of 270,000 shares were lapsed.

SHARE AWARD SCHEME

The Company had adopted the share award scheme on 1 September 2020 (“**Share Award Scheme**”), under which any individual being an eligible employee, officer, agent or consultant of the Company or any subsidiary of the Company or any other person (including professional advisers and suppliers of the Group as selected by the Board (excluding connected persons under the Rules Governing of the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Listing Rules**”)) were entitled to participated to the Share Award Scheme. The Share Award Scheme shall be valid and effective for a period of 10 years commencing from 1 September 2020.

The purposes of the Share Award Scheme are: (i) to provide certain participant with an opportunity to acquire a proprietary interest in the Company; (ii) to recognise the contributions by certain participant and give incentives thereto in order to retain them for the continual operation and development of the Group; (iii) to attract suitable personnel to work with the Group; and (iv) to provide additional incentive for them to achieve long term performance goals and development.

Details of the Share Award Scheme are set out in the announcement of the Company dated 1 September 2020.

OTHER INFORMATION (continued)

During FY2021 1H, an aggregate of 3,500,000 shares of the Company were unconditionally awarded to four selected employees on 3 September 2020 (“**Awarded Shares**”) and the Awarded Shares were allotted and issued to them on 14 September 2020 in accordance with the rules of the Share Award Scheme. Therefore, the Group recognised a total expense of HK\$2,030,000 in relation to the Award Shares.

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 2020, 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 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 the code for dealing in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (“**Model Code**”), are set out below:

Long positions

Names of Director	Capacity/Nature of Interest	Number of Shares	Approximate % of shareholding ⁽¹⁾
Mr. Raymond Liu ⁽²⁾	Interest of a controlled corporation	570,000,000	56.72%
Mr. Lo Wai Ho Ashley (“ Mr. Ashley Lo ”) ⁽²⁾	Interest of a controlled corporation	570,000,000	56.72%
Dr. Tang ⁽³⁾	Interest of a controlled corporation	75,000,000	7.46%
Mr. Von John ⁽⁴⁾	Interest of a controlled corporation	60,000,000	5.97%
Mr. Lee Francis Sung Kei (“ Mr. Francis Lee ”) ⁽⁵⁾	Interest of a controlled corporation	22,500,000	2.24%
Mr. Lam Tak Ling ⁽⁶⁾	Interest of a controlled corporation	22,500,000	2.24%

Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the Company in issue (1,004,946,000 Shares) as at 30 September 2020.
- (2) This represents the Shares held by Success Vision International Group Limited (“**Success Vision**”), a company that is beneficially owned as to 64.77% by Mr. Raymond Liu and 35.23% by Mr. Ashley Lo, respectively, therefore, they were deemed to be interested in the 570,000,000 Shares under the SFO.
- (3) This represents the Shares held by Earning Gear Inc. (“**Earning Gear**”), a company was wholly-owned by Dr. Tang and therefore he was deemed to be interested in the 75,000,000 Shares under the SFO.
- (4) 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.

OTHER INFORMATION (continued)

- (5) This represents the Shares held by Pioneer Marvel Limited, a company was wholly-owned by Mr. Francis Lee and therefore, he was deemed to be interested in the 22,500,000 Shares under the SFO.
- (6) This represents the Shares held by Linking Vision Limited, 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 Option Scheme (if any), 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 2020, 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 the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed “Share Option Scheme” of this report, at no time during FY2021 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.

OTHER INFORMATION (continued)

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

As at 30 September 2020, 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	56.72%
Ms. Cheng Chui Ying ⁽²⁾	Interest of spouse	570,000,000	56.72%
Ms. Lin Fai ⁽³⁾	Interest of spouse	570,000,000	56.72%
Earning Gear ⁽⁴⁾	Beneficial owner	75,000,000	7.46%
Ms. Yip Lai Ching ⁽⁵⁾	Interest of spouse	75,000,000	7.46%
Mind Bright ⁽⁶⁾	Beneficial owner	60,000,000	5.97%
Ms. Cheung Mo Chi ⁽⁷⁾	Interest of spouse	60,000,000	5.97%

Notes:

- (1) Success Vision was beneficially owned as to 64.77% by Mr. Raymond Liu, Director, and 35.23% by Mr. Ashley Lo, Director, respectively. Therefore, they were deemed to be interested in the 570,000,000 Shares under the SFO.
- (2) Ms. Cheng Chui Ying is the spouse of Mr. Raymond Liu, Director, and was therefore deemed to be interested in the Shares in which Mr. Raymond Liu was interested in under the SFO.
- (3) Ms. Lin Fai is the spouse of Mr. Ashley Lo, Director and was therefore deemed to be interested in the Shares in which Mr. Ashley Lo was interested in under the SFO.
- (4) Earning Gear is wholly-owned by Dr. Tang, Director, and Dr. Tang was therefore deemed to be interested in the 75,000,000 Shares under the SFO.
- (5) Ms. Yip Lai Ching is the spouse of Dr. Tang, Director, and was therefore deemed to be interested in the Shares in which Dr. Tang was interested in under the SFO.
- (6) Mind Bright is wholly-owned by Mr. Von John, Director, and Mr. Von John was therefore deemed to be interested in the 60,000,000 Shares under the SFO.
- (7) Ms. Cheung Mo Chi is the spouse of Mr. Von John, Director, and was therefore deemed to be interested in the Shares in which Mr. Von John was interested in under the SFO.
- (8) The percentage has been compiled based on the total number of ordinary shares of the Company in issue (1,004,946,000 shares) as at 30 September 2020.

OTHER INFORMATION (continued)

Save as disclosed above, as at 30 September 2020, 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 as recorded in the register of the Company kept under section 336 of the SFO.

COMPETING INTERESTS

During FY2021 1H, none of the Directors or the controlling shareholders of the Company or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Listing Rules.

DEED OF NON-COMPETITION

The controlling shareholders, namely Mr. Raymond Liu, Mr. Ashley Lo 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.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company’s audit committee currently comprises three independent non-executive Directors, namely Mr. Ng Tsz Fung Jimmy (the chairman of the audit committee), Mr. Chan Siu Ming Simon and Mr. Yu Kwok Chun Raymond. The audit committee has reviewed with the management of the Group’s accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for FY2021 1H.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code. Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for FY2021 1H and up to the date of this report.

OTHER INFORMATION (continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During FY2021 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 establish good corporate governance and adopt sound corporate governance practices. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders' interests.

The Company's corporate governance practices are based on the principles and code provisions ("**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Listing Rules. During FY2021 1H, the Company has complied with the Code Provisions as set out in the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner, save and except for Code Provision A.2.1 of the CG Code.

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Raymond Liu is chairman ("**Chairman**") and chief executive officer ("**Chief Executive Officer**") of the Company from 18 September 2020, it constituted a deviation from code provision A.2.1 of the CG Code since 18 September 2020.

The Board considers that this is a very important phase of the Group's development and the Chief Executive Officer ought to be tasked with additional responsibilities to oversee, lead and steer the Group from a business perspective that covers the new businesses and was much broader than the Group's principal engagement in the distribution of IT security products and the provision of IT security services. Given the importance of the Group's expansion and diversification into new businesses, the Board considers that Mr. Raymond Liu is best suited to take up the additional responsibilities to oversee, lead and steer the Group from a business perspective that covers the new businesses and is broader than the Group's principal engagement in the distribution of IT security products and the provision of IT security services.

The Board believes that Mr. Raymond Liu's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group, and Mr. Raymond Liu, by assuming the roles of both Chairman and Chief Executive Officer, would allow efficient business planning and decision for the Group as a whole, which the Board believes is for the best interest of the Group and the shareholders of the Company.

OTHER INFORMATION (continued)

EVENT AFTER REPORTING PERIOD

Details of the event after reporting period are set out in note 17 of the unaudited condensed consolidated interim financial information in this report.

By Order of the Board

Edvance International Holdings Limited

LIU Yui Ting Raymond

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 24 November 2020

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 and Mrs. Wong Hung Flavia Yuen Yee.