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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 on Main Board: 1410)

(Stock code on GEM: 8410)

**TRANSFER OF LISTING
FROM GEM TO THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

Sponsor



Red Solar Capital Limited

TRANSFER OF LISTING

On 8 October 2019, a formal application was made by our Company to the Stock Exchange for the Transfer of Listing.

Our Company has applied for the listing of and permission to deal in (i) 1,001,446,000 Shares in issue; and (ii) the 10,656,000 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing. The approval-in-principle has been granted by the Stock Exchange on 16 December 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM.

The last day of dealings in the Shares on GEM (stock code: 8410) will be 23 December 2019. Dealings in the Shares on the Main Board (stock code: 1410) will commence at 9:00 a.m. on 24 December 2019. The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates.

No change will be made to the English stock short name and the Chinese stock short name of our Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of our Company following the Transfer of Listing.

SHARE PRICE VOLATILITY

The price of the Shares has been volatile since the GEM Listing Date, 19 April 2017. The offer price per Share was HK\$0.32. The highest and lowest prices at which the Shares have been traded on GEM since the GEM Listing Date up to the Latest Practicable Date were HK\$1.80 (i.e. on 5 January 2018) and HK\$0.315 (i.e. on 10 May 2017), respectively. During such period, the price per Share had risen to a maximum of approximately 462.5% (by comparing the offer price and the highest price) and had fallen to a minimum of approximately 1.6% (by comparing the offer price and the lowest price). After conducting reasonable enquiries and to the best of its knowledge, the Board is not aware of any reasons for such volatility. The price of the Shares has been volatile and may continue to be volatile upon listing on the Main Board.

Shareholders of our Company and potential investors are advised to exercise caution when dealing in the Shares of our Company.

Reference is made to the announcement issued by our Company dated 8 October 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

TRANSFER OF LISTING

On 8 October 2019, a formal application was made by our Company to the Stock Exchange for the Transfer of Listing.

Our Company has applied for the listing of and permission to deal in (i) 1,001,446,000 Shares in issue; and (ii) the 10,656,000 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing. The approval-in-principle has been granted by the Stock Exchange on 16 December 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM.

All applicable pre-conditions for the Transfer of Listing, insofar as applicable, have been fulfilled in relation to our Company and the Shares as at the date of this announcement.

SHARE PRICE VOLATILITY

The price of the Shares has been volatile since the GEM Listing Date. The offer price per Share was HK\$0.32. The highest and lowest prices at which the Shares have been traded on GEM since the GEM Listing Date up to the Latest Practicable Date were HK\$1.80 (i.e. on 5 January 2018) and HK\$0.315 (i.e. on 10 May 2017), respectively. During the aforesaid period, the price per Share had risen to a maximum of approximately 462.5% (by comparing the offer price and the highest price) and had fallen to a minimum of approximately 1.6% (by comparing the offer price and the lowest price). After conducting reasonable enquiries and to the best of its knowledge, the Board is not aware of any reasons for such volatility.

The price of the Shares may continue to be volatile upon listing on the Main Board. Shareholders of our Company and potential investors are advised to exercise caution when dealing in the Shares of our Company.

REASONS FOR THE TRANSFER OF LISTING

Our Company has been listed on GEM since the GEM Listing Date. Our Group is principally engaged in the distribution of IT Security Products and the provision of IT Security Services with our headquarter in Hong Kong.

Our Directors consider that a Main Board listing status of our Company, which is generally perceived to enjoy an enhanced status by the public and the investors, will help strengthen the recognition of our Group among both the existing Shareholders as well as potential investors, resulting in a broader investor base and higher trading liquidity of the Shares. Along with the premier status of our Group, our Directors believe that the Transfer of Listing will help to promote the profile, brand, products and services awareness of our Group among external stakeholders, enabling our Group to reach out to other potential customers and suppliers which may ultimately help promote the business development of our Group and increase its return to the Shareholders in the long run.

In light of the above reasons, our Directors are of the view that the Transfer of Listing is in the interests of our Company and the Shareholders as a whole.

As at the date of this announcement, the Board has no immediate plans to change the nature of the business of our Group following the Transfer of Listing. Save as disclosed above, the Transfer of Listing will not involve any issuance of new Shares by our Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the GEM Listing Date, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8410) will be 23 December 2019. Dealings in the Shares on the Main Board (stock code: 1410) will commence at 9:00 a.m. on 24 December 2019. The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 10,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of our Company in the Cayman Islands is Estera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of our Company is Union Registrars Limited. No change will be made to the English stock short name and the Chinese stock short name of our Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of our Company following the Transfer of Listing.

SHAREHOLDING DISTRIBUTION

Our Company has engaged an independent third party agent to make an enquiry into its shareholding, and to confirm our Company's shareholding distribution. Based on the information received up to the date of this announcement and to the best knowledge of our Directors upon due inquiry, as at 28 November 2019 (being the latest practicable date for our Company to ascertain the following information prior to the Transfer of Listing), (i) the Controlling Shareholders held an aggregate of 570,000,000 Shares, representing approximately 56.92% of the then entire issued share capital of our Company; (ii) the public Shareholders held an aggregate of 251,446,000 Shares, representing approximately 25.11% of the then entire issued Shares; (iii) there were at least 800 Shareholders^(Note 1).

The table below sets out the number of identifiable Shareholders and the Shareholders' spread including the Shares held by the Controlling Shareholders as at 28 November 2019:

	Aggregate number of Shares held by the Shareholder(s) (Note 2)	Approximate percentage of shareholding to the then entire issued share capital of our Company
Top three identifiable Shareholders (including the Controlling Shareholders) (Note 3)	705,000,000	70.40%
Top 20 identifiable Shareholders (including the Controlling Shareholders) (Note 4)	850,680,000	84.95%
Top 25 identifiable Shareholders (including the Controlling Shareholders) (Note 5)	863,540,000	86.23%

Notes:

1. Based on information from the independent third party agent, for the purpose of calculating the number of Shareholders, a Shareholder who holds Shares through multiple brokerage accounts via different brokerage firms has been counted as a single Shareholder.
2. The shareholding search conducted on 28 November 2019 cannot identify Shareholders holding an aggregate of 28,010,498 Shares, representing approximately 2.80% of the then entire issued Shares (the "Unidentifiable Shares").
3. Assuming that the Unidentifiable Shares were all held by the top three identifiable Shareholders, the aggregate number of Shares held by them will be 733,010,498 Shares, representing approximately 73.20% of the then entire issued Shares.
4. Assuming that the Unidentifiable Shares were all held by the top 20 identifiable Shareholders, the aggregate number of Shares held by them will be 878,690,498 Shares, representing approximately 87.74% of the then entire issued Shares.
5. Assuming that the Unidentifiable Shares were all held by the top 25 identifiable Shareholders, the aggregate number of Shares held by them will be 891,550,498 Shares, representing approximately 89.03% of the then entire issued Shares.

As at 28 November 2019, among the public Shareholders, (i) the largest public Shareholder held an aggregate of 22,440,000 Shares, representing approximately 8.92% of the then number of Shares held in public hands and 2.24% of the then entire issued Shares; (ii) the three largest public Shareholders held an aggregate of 40,110,000 Shares, representing approximately 15.95% of the then number of Shares held in public hands and 4.01% of the entire then issued Shares; (iii) the 25 largest public Shareholders held in aggregate 120,960,000 Shares, representing approximately 48.11% of the then number of Shares held in public hands and approximately 12.08% of the then entire issued Shares; and (iv) save for the 11 Shareholders holding an aggregate of 3,350,000 Shares (representing approximately 1.33% of the then number of Shares held in public hands and approximately 0.33% of the then entire issued Shares), whom have a relationship with the directors, shareholders or senior management of our Company and its subsidiaries or their respective associates, all other public Shareholders are Independent Third Parties.

PUBLIC FLOAT

Our Directors confirm that (i) not less than 25% of the total issued share capital of our Company is held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement; (ii) our Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the public float requirements have been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

FINANCIAL INDEPENDENCE

Our Group has an independent financial and accounting system and makes financial decisions according to its own business needs.

Prior to the GEM Listing Date, certain of our banking facilities were secured by personal guarantees provided by Mr. Raymond Liu and Mr. Ashley Lo, our Group have obtained written confirmation from the relevant financial institution confirming that these personal guarantees would be released upon Listing. Subsequent to the GEM Listing Date, such personal guarantees were replaced by the corporate guarantees provided by our Company. There has been no additional financial assistance, guarantee and/or security provided by the Controlling Shareholders and their respective associates for our Group since the GEM Listing Date and up to the date of this announcement.

Our Directors believe that our Company is capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

SHARE OPTION SCHEME

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

Pursuant to the Share Option Scheme, our Company may grant options in respect of a total of 100,000,000 Shares during the term of the Share Option Scheme, representing 10% of our Company's issued share capital as at the GEM Listing Date. As at the date of this announcement, 1,446,000 Shares have been granted by our Company under the Share Option Scheme and 10,656,000 Shares are outstanding under the Share Option Scheme.

The Share Option Scheme will remain valid and effective following the Transfer of Listing to the Main Board and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules. The listing of Shares which may be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, save for the options that were granted and may be granted under the Share Option Scheme, our Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of our Company held on 8 August 2019 to our Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect. Such general mandates will be effective until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable laws of the Cayman Islands to be held; and
- (c) the revocation or variation of the authority given under such resolutions, by an ordinary resolution of the shareholders of our Company at general meeting.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019, THE FIRST QUARTERLY RESULTS AND FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2019, THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The annual results of our Group for the year ended 31 March 2019 have been published. Please refer to the annual results announcement and the annual report of our Group for the year ended 31 March 2019 published respectively on 17 June 2019 and 25 June 2019 for details.

The first quarterly results of our Group for the three months ended 30 June 2019 have been published. Please refer to the first quarterly results announcement and the first quarterly report of our Group for the three months ended 30 June 2019 published on 8 August 2019 and 9 August 2019, respectively, for details.

The interim results of our Group for the six months ended 30 September 2019 have been published. Please refer to the interim results announcement and the interim report of our Group for the six months ended 30 September 2019 published on 11 November 2019 and 14 November 2019, respectively, for details.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, our Group will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant financial periods or financial years, respectively.

The Board is of the view that potential investors and Shareholders will continue to have access to relevant information on our Company following the reporting requirement under the Main Board Listing Rules.

COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of our Directors, our Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the GEM Listing Date and up to the date of this announcement.

COMPLIANCE ADVISER AFTER THE TRANSFER OF LISTING

Titan Financial Services Limited has been appointed as the compliance adviser of our Group subsequent to the GEM Listing pursuant to Rule 6A.19 of the GEM Listing Rules. The engagement of Titan Financial Services Limited as the compliance adviser of our Group will end on the date on which our Company sends to the Shareholders a copy of our Directors' report and the consolidated financial statements in respect of the financial results for the year ending 31 March 2020 together with a copy of the auditor's report.

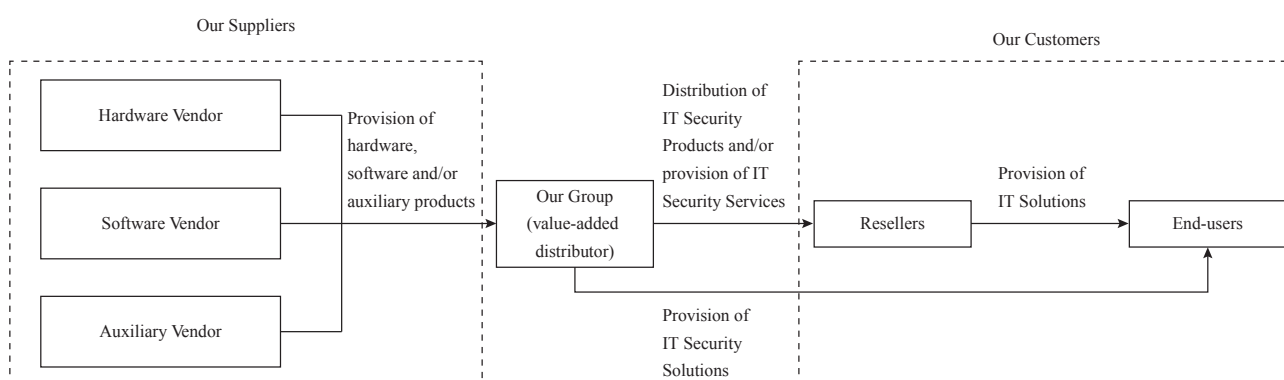
SUMMARY OF OUR GROUP'S BUSINESS

Our business model

Our Company has been listed and traded on GEM since the GEM Listing Date. Our Group is principally engaged in the distribution of IT Security Products and the provision of IT Security Services in Hong Kong, Macau, the PRC and Singapore. There has been no change to our Group's principal business from the GEM Listing Date up to the date of this announcement.

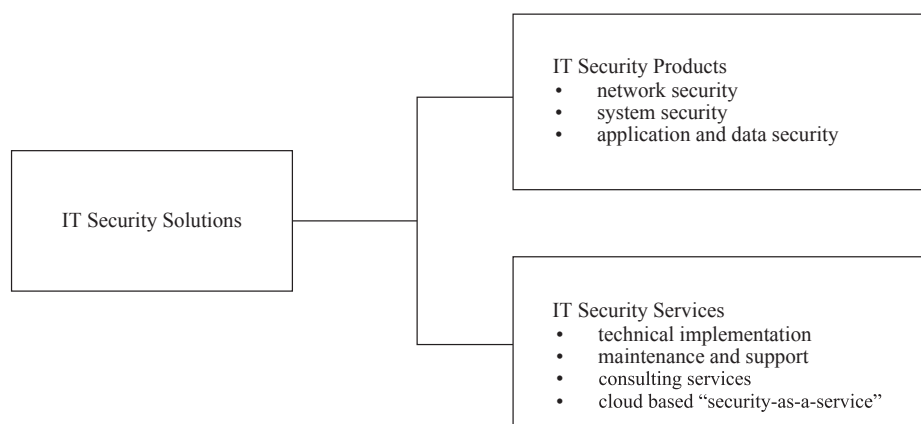
As an IT Security Solutions value-added distributor, we introduce IT Security Products and provide related IT Security Services to the local markets. Our customers are mainly IT companies which act as resellers in providing overall IT Solutions to end-users. Our suppliers are mainly multinational corporations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

The following diagram illustrates our business model:



Our products and services

The following diagram illustrates the categories of IT Security Products and types of IT Security Services provided by our Group during the three years ended 31 March 2019 and the six months ended 30 September 2019:



IT Security Products

Our Group distributes IT Security Products which comprise of:

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

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

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

IT Security Services

Our Group provides IT Security Services which comprise (i) technical implementation services; (ii) maintenance and support services; (iii) consulting services; and (iv) cloud based “security-as-a-service”.

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

Technical implementation services

Our technical implementation services help the end-users to apply the technologies of IT Security Products through conducting installation, configuration and integration of IT Security Products into the end-users’ IT environment. In addition to engaging us for technical implementation services when procuring IT Security Products from us, our customers sometimes also engage us to upgrade the end-users’ existing systems.

Our technical implementation services mainly cover the following services:

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

Maintenance and support services

Our maintenance and support services help to keep the IT Security systems of the end-users in good working order and to identify and resolve problems in the IT Security Products. Following (i) the procurement of IT Security Products and completion of our technical implementation projects; or (ii) the expiry of a previous maintenance and support services engagement, we may be engaged to provide maintenance and support services. Our maintenance and support services in general include the following:

Maintenance

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

Local support

As at the Latest Practicable Date, we have 11 staff providing local support to both our resellers and end-users. We provide hotlines and email address as initial contacts. Through our local support helpdesk, we provide initial assessment on the severity of the problems. For minor issues, we may provide guidance and/or solutions over the phone, by email correspondences or through remote access to the system. For more severe or complex issues, we may provide on-site support services to resolve problems and/or apply updated versions of software at the end-users' premises.

Consulting services

Our consulting services focus on helping end-users to assess their security posture and risks over their IT systems and applications, and enhance their overall IT Security with recommendations. The major types of consulting services provided by us are as follows:

Type	Description
Firewall optimisation	Review end-users' firewall configurations, policies, and risk settings and identify redundant firewall rules, in order to recommend the optimal configurations for firewalls
Network visualisation	Review end-users' network equipment configurations, and create a map to visualise the data flow in the entire network
Web application security assessment	Assess end-users' websites and web applications to identify any weaknesses and vulnerabilities that could be exploited by an external hack, and to recommend remedial actions over those vulnerabilities
System and network vulnerability assessment	Assess end-users' internal and external systems and networks to identify any weaknesses and vulnerabilities that could be exploited, and to recommend remedial actions over those vulnerabilities
Penetration testing	Attempt to hack or penetrate into end-users' network or applications with intrusion techniques in order to identify any potential weaknesses that can be exploited from outsiders' perspectives
Security architecture and governance review	Review and recommend changes over the end-users' security architecture and governance policies and processes, after understanding end-users' business and technical needs

Cloud based “security-as-a-service”

Subsequent to the GEM Listing Date, we have established a Service Hub under the brand “Green Radar” in November 2018, carried out by our indirect wholly-owned subsidiaries (i) Green Radar Technology Research Centre Limited, (ii) Green Radar (Hong Kong) Limited (formerly known as Edvance Consulting (Hong Kong) Limited), and (iii) Green Radar (Singapore) Pte. Ltd..

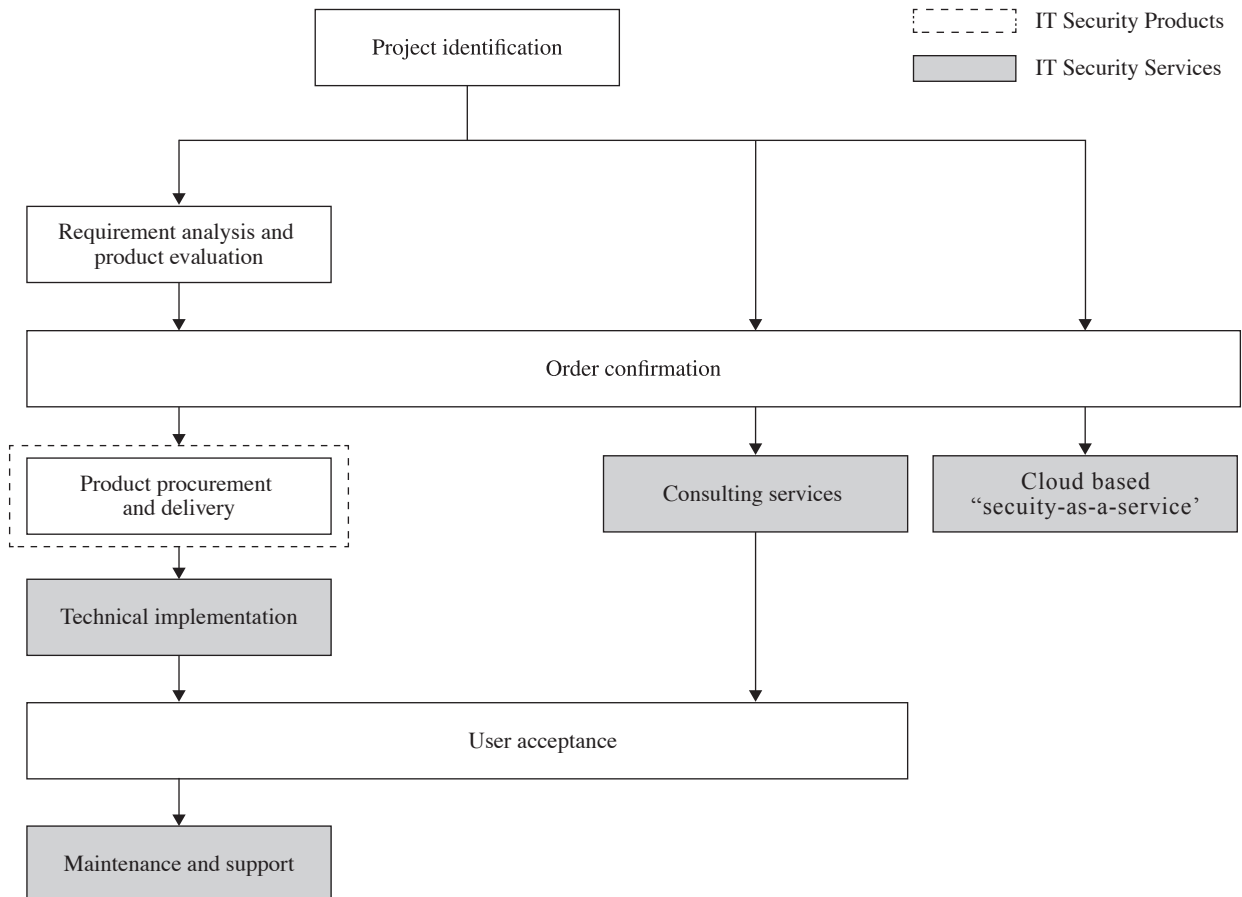
Our target customer base is small and medium enterprises who are looking for advanced security protection to combat the evolving cybersecurity attacks through emails and endpoints. Our cloud based “security-as-a-service” model allows our customers to take advantage of our security technology without having to purchase and manage the IT Security Products.

Green Radar’s headquarters is located in Hong Kong and is responsible for formulating the overall business strategy, conducting research and technology integration. Our initial focus market includes Hong Kong and Singapore, and our Company may expand to other countries in the Asia Pacific regions with our business partners in the future.

Green Radar is a cloud based “security-as-a-service” provider focusing on email and endpoint “detection and response” security protection. The detected malicious email and endpoint traffic are consolidated in our cloud environment, and our Green Radar security analysts based in Singapore will apply big data, global threat intelligence, artificial intelligence technology, together with our Group’s expertise on security to identify the root cause of incoming attacks and help our Group’s customers to minimise their risk exposure.

Workflow of our business

The following diagram illustrates the general operation for (a) distribution of IT Security Products; and (b) provision of our IT Security Services including: (i) technical implementation services; (ii) maintenance and support services; (iii) consulting services; and (iv) cloud based “security-as-a-service”:



Customers

During the three years ended 31 March 2019 and the six months ended 30 September 2019, we have served over 300 customers. Our customers are mainly divided into two categories, namely: (i) resellers; and (ii) end-users. The resellers are mainly IT companies which provide overall IT Solutions to end-users while end-users include government bodies, public utilities, telecommunication companies, financial institutions including licensed corporations under the SFO, insurance companies and educational institutions.

Resellers

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

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

End-Users

For certain markets in which the IT Security Solutions market development is still at an early stage such as the PRC and Mongolia, we opt for directly liaising and contracting with end-users for provision of IT Security Solutions if we have not yet identified suitable local resellers to partner with when carrying out certain projects. Otherwise, in the event that an end-user directly approach us for IT Security Solutions, we generally will not directly contract with them and will refer them to resellers and provide IT Security Solutions through resellers.

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

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)	(unaudited)	(unaudited)	(unaudited)
Resellers	182,348	82.1	275,087	91.0	334,551	90.6	144,502	89.5	181,343	94.0
End-users	39,712	17.9	27,236	9.0	34,859	9.4	16,921	10.5	11,676	6.0
Total	222,060	100	302,323	100	369,410	100	161,423	100	193,019	100

Largest customers

The details of our Group's top five customers and their background information for the three years ended 31 March 2019 and the six months ended 30 September 2019 are set out in the tables below:

For the year ended 31 March 2017

Rank	Customer	Products/services provided by our Group	Approximate total amount of revenue (HK\$'000)	Approximate % of total revenue (%)	Year of first becoming our customer
1.	Customer A	IT Security Products and IT Security Services	25,620	11.5	2010
2.	Customer B	IT Security Products and IT Security Services	21,601	9.8	2012
3.	Customer C	IT Security Products and IT Security Services	16,658	7.5	2009
4.	Customer D	IT Security Products and IT Security Services	12,248	5.5	2016
5.	Customer E	IT Security Products and IT Security Services	10,233	4.6	2011
Total			86,360	38.9	

For the year ended 31 March 2018

Rank	Customer	Products/services provided by our Group	Approximate total amount of revenue (HK\$'000)	Approximate % of total revenue (%)	Year of first becoming our customer
1.	Customer A	IT Security Products and IT Security Services	43,420	14.3	2010
2.	Customer B	IT Security Products and IT Security Services	34,966	11.6	2012
3.	Customer D	IT Security Products and IT Security Services	23,173	7.7	2016
4.	Customer C	IT Security Products and IT Security Services	17,893	5.9	2009
5.	Customer F	IT Security Products and IT Security Services	11,756	3.9	2009
Total			131,208	43.4	

For the year ended 31 March 2019

Rank	Customer	Products/services provided by our Group	Approximate total amount of revenue (HK\$'000)	Approximate % of total revenue (%)	Year of first becoming our customer
1.	Customer B	IT Security Products and IT Security Services	57,025	15.4	2012
2.	Customer A	IT Security Products and IT Security Services	46,184	12.5	2010
3.	Customer D	IT Security Products and IT Security Services	21,564	5.9	2016
4.	Customer C	IT Security Products and IT Security Services	14,821	4.0	2009
5.	Customer G	IT Security Products and IT Security Services	12,478	3.4	2007
Total			152,072	41.2	

For the six months ended 30 September 2019

Rank	Customer	Products/services provided by our Group	Approximate total amount of revenue (HK\$'000)	Approximate % of total revenue (%)	Year of first becoming our customer
1.	Customer A	IT Security Products and IT Security Services	31,926	16.5	2010
2.	Customer B	IT Security Products and IT Security Services	21,737	11.3	2012
3.	Customer H	IT Security Products and IT Security Services	10,452	5.4	2016
4.	Customer C	IT Security Products and IT Security Services	9,434	4.9	2009
5.	Customer D	IT Security Products and IT Security Services	9,412	4.9	2016
Total			82,961	43.0	

Notes:

1. *Customer A is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in the provision of telecommunication services, multimedia and entertainment services and IT solutions and services. For the financial year 2018, the listed company had revenue of approximately HK\$38,850 million.*
2. *Customer B is a private company incorporated in Hong Kong, which is principally engaged in the provision of network design and consulting services, network optimisation, audits and security assessment, software system integrations and customisations, project management services, help desk and engineering support services.*
3. *Customer C is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in the provision of IT Solutions and services including security system installation and maintenance, information technology consultancy, computer equipment installation and maintenance etc. For the financial year 2018, the listed company had revenue of approximately HK\$2,344.5 million.*
4. *Customer D is a private company incorporated in Hong Kong, which is principally engaged in the provision of security consulting services and security solution integration services.*
5. *Customer E is a Hong Kong subsidiary of a listed company in Japan, New York and London, which is principally engaged in providing information technology and computer service including trading of telecommunication equipment and provision of services on information technology, computer networking, web development, system integration and development. For the financial year 2018, the listed company had revenue of approximately JPY 11,880 billion.*
6. *Customer F is a private company incorporated in Macau, which is principally engaged in provision of IT Solutions focusing on network infrastructure and information security.*
7. *Customer G is a Hong Kong subsidiary of a listed company in Hong Kong, which is principally engaged in the provision of one-stop information and communication technology solutions, including private network solutions, internet access, cloud computing, information security, cloud data centre etc. For the financial year 2018, the listed company had revenue of approximately HK\$ 9,464 million.*
8. *Customer H is a Hong Kong subsidiary of a listed company in Switzerland, which is principally engaged in the provision of software and services and is an authorized large account reseller and enterprise software advisor mainly focused on software licensing and related services. For the financial year 2018, the listed company had revenue of approximately CHF 3,741 million.*

For each of the three years ended 31 March 2019 and the six months ended 30 September 2019, revenue attributable to our Group's largest customer accounted for approximately 11.5%, 14.3%, 15.4% and 16.5% of our Group's total revenue, respectively. For each of the three years ended 31 March 2019 and the six months ended 30 September 2019, revenue from the five largest customers of our Group accounted for approximately 38.9%, 43.4%, 41.2% and 43.0% of our Group's total revenue, respectively. Our Directors consider that our Group is not overly reliant on any particular customer.

The five largest customers for each of the three years ended 31 March 2019 and the six months ended 30 September 2019 have been customers of our Group up to 12 years. The five largest customers are systems integrator companies. Our Group generally grants its five largest customers a credit period that ranges from 30 to 60 days, depending on various factors such as credit worthiness and transaction history of the particular customer.

The five largest customers for the three years ended 31 March 2019 and the six months ended 30 September 2019 are Independent Third Parties and to the best knowledge and belief of our Directors, none of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest customers of our Group during the three years ended 31 March 2019, the six months ended 30 September 2019 and up to the date of this announcement.

Suppliers

Our suppliers are mainly multinational corporations which are vendors of IT Security Products and IT Security Services. As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 24 international vendors. In general, we have entered into master agreements with specified territorial coverage with our suppliers. The established relationships with our vendors up to 15 years, have allowed us to receive strong support and resources from them.

In general, our suppliers grant us a credit term of 30 to 60 days. Our Group generally settles supplier payments by way of wire transfer, cheque or bank transfer.

Largest suppliers

The details of our Group's top five suppliers and their background information for the three years ended 31 March 2019 and the six months ended 30 September 2019 are set out in the tables below:

For the year ended 31 March 2017

Rank	Supplier	Products/services provided to our Group	Approximate total amount of cost of sales (HK\$'000)	Approximate % of total cost of sales (%)	Year of first becoming our supplier
1.	Supplier A	IT Security Products and IT Security Services	25,911	16.1	2014
2.	Supplier B	IT Security Products and IT Security Services	22,129	13.8	2006
3.	Supplier C	IT Security Products and IT Security Services	15,822	9.9	2015
4.	Supplier D	IT Security Products and IT Security Services	13,943	8.7	2009
5.	Supplier E	IT Security Products and IT Security Services	7,182	4.4	2015
Total			84,987	52.9	

For the year ended 31 March 2018

Rank	Supplier	Products/services provided to our Group	Approximate total amount of cost of sales (HK\$'000)	Approximate % of total cost of sales (%)	Year of first becoming our supplier
1.	Supplier A	IT Security Products and IT Security Services	48,852	22.4	2014
2.	Supplier C	IT Security Products and IT Security Services	33,687	15.5	2015
3.	Supplier B	IT Security Products and IT Security Services	27,758	12.8	2006
4.	Supplier D	IT Security Products and IT Security Services	27,535	12.7	2009
5.	Supplier F	IT Security Products and IT Security Services	17,025	7.8	2015
Total			154,857	71.2	

For the year ended 31 March 2019

Rank	Supplier	Products/services provided to our Group	Approximate total amount of cost of sales (HK\$'000)	Approximate % of total cost of sales (%)	Year of first becoming our supplier
1.	Supplier A	IT Security Products and IT Security Services	55,263	20.4	2014
2.	Supplier B	IT Security Products and IT Security Services	43,707	16.1	2006
3.	Supplier C	IT Security Products and IT Security Services	43,678	16.1	2015
4.	Supplier D	IT Security Products and IT Security Services	23,117	8.5	2009
5.	Supplier G	IT Security Products and IT Security Services	12,656	4.7	2015
Total			178,421	65.8	

For the six months ended 30 September 2019

Rank	Supplier	Products/services provided to our Group	Approximate total amount of cost of sales (HK\$'000)	Approximate % of total cost of sales (%)	Year of first becoming our supplier
1.	Supplier C	IT Security Products and IT Security Services	35,246	25.3	2015
2.	Supplier A	IT Security Products and IT Security Services	28,101	20.1	2014
3.	Supplier B	IT Security Products and IT Security Services	12,765	9.1	2006
4.	Supplier D	IT Security Products and IT Security Services	11,150	8.0	2009
5.	Supplier H	IT Security Products and IT Security Services	8,817	6.3	2015
Total			96,079	68.8	

Notes:

1. *Supplier A is a Singapore subsidiary of a listed company on NASDAQ, which is principally engaged in the provision of cyber security solution such as network based antivirus firewall systems for real-time network protection. For the financial year 2018, the listed company had revenue of approximately USD 1,801.2 million.*
2. *Supplier B is a Singapore subsidiary of a listed company on NASDAQ, which is principally engaged in the provision of IT Security Solutions focusing on privilege access management. For the financial year 2018, the listed company had revenue of approximately USD 343.2 million.*
3. *Supplier C is a listed company on NASDAQ, which is principally engaged in the provision of software solutions for machine data. For the financial year 2019, Supplier C had revenue of approximately USD 1,803 million.*
4. *Supplier D is a private company incorporated in the United States of America, which is principally engaged in the provision of data and application security solutions. For the financial year 2017, Supplier D had revenue of approximately USD 321.7 million.*
5. *Supplier E is a subsidiary incorporated in the United States of America of a listed company on NASDAQ, which is principally engaged in the provision of cyber security solutions that manage and measure cyber security risks. For the financial year 2018, the listed company had revenue of approximately USD 267.4 million.*
6. *Supplier F is a subsidiary incorporated in the United States of America of a listed company on NYSE, which is principally engaged in the provision of end-to-end technologies including IT hardware, software and service solutions. For the financial year 2018, Supplier F had revenue of approximately USD 209.7 million.*
7. *Supplier G is a private company incorporated in the United States of America, which is principally engaged in the provision of security information and event management platform.*
8. *Supplier H is an Ireland subsidiary of a company listed on NYSE, which is principally engaged in the provision of IT infrastructure management software. For the financial year 2018, the listed company had revenue of approximately USD 833.1 million.*

For each of the three years ended 31 March 2019 and the six months ended 30 September 2019, purchases from the five largest suppliers of our Group accounted for approximately 52.9%, 71.2%, 65.8% and 68.8% of the total cost of sales, respectively. For each of the three years ended 31 March 2019 and the six months ended 30 September 2019, purchases from our Group's largest supplier accounted for approximately 16.1%, 22.4%, 20.4% and 25.3% of our Group's total purchases, respectively. Our Directors consider that our Group is not overly reliant on any particular supplier.

The five largest suppliers for the three years ended 31 March 2019 and the six months ended 30 September 2019 have been suppliers of our Group up to 13 years. The five largest suppliers are multinational corporations. Our Group is generally granted by our five largest suppliers a credit period that ranges from 30 to 60 days from the date of invoice, or payment is required to be settled in full before delivery.

The five largest suppliers for the three years ended 31 March 2019 and the six months ended 30 September 2019 are Independent Third Parties and to the best knowledge and belief of our Directors, none of our Directors, their respective associates or any Shareholders (which to the knowledge of our Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest suppliers of our Group during the three years ended 31 March 2019, the six months ended 30 September 2019 and up to the date of this announcement.

Major qualifications and licences

Hong Kong

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

The PRC

As at the Latest Practicable Date, save for the Computer Information System Security Product Sales License* (計算機信息系統安全專用產品銷售許可證) issued by the Ministry of Public Security Network Security Protection Agency* (公安部網絡安全保衛局) on 29 November 2019 which is valid until 29 November 2021, our Directors confirmed that our PRC subsidiaries or branches are not required to obtain other industry-specific qualification, licence or permit for the provision of our IT Security Solution in the PRC.

Singapore

Our Directors confirmed that our Singapore subsidiaries are not currently required to obtain any industry-specific qualification, licence or permit for the provision of our IT Security Solutions in Singapore up to the Latest Practicable Date.

The Cybersecurity Act 2018 (“CSA”) was recently passed by the Singapore Parliament in February 2018 and established a framework for the oversight and maintenance of national cybersecurity in Singapore. The CSA introduced, inter alia, the licensing of providers of licensable cybersecurity services (“**Licensable Services**”) under Part 5 of the Act. The Act defined Licensable Services as (i) managed security operations centre (SOC) monitoring services, and (ii) penetration testing services, and providers of such Licensable Services must obtain a licence before providing such services.

Our Group’s brand “Green Radar”, carried out by our indirect wholly-owned subsidiary Green Radar (Singapore) Pte. Ltd., is a cloud based “security-as-a-service” provider and may be considered a service provider of Licensable Services under the CSA.

The Cyber Security Agency in Singapore, in connection with the CSA, has yet to communicate when implementation of the licensing framework can be expected. As at the Latest Practicable Date, the licensing framework has yet to come into effect. We will disclose our future compliance with the Cybersecurity Act 2018 in the interim reports or annual reports of our Company when the relevant licensing framework comes into effect in the future.

Macau

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

Update on expansion strategy

As set out in the Prospectus, our business objective was to capture the growing business opportunities in the IT Security Solutions in the Asia Pacific region by (i) strengthening our leading position in the IT Security Solutions market in Hong Kong; and (ii) actively exploring the Singapore and its neighbouring markets by expanding our existing operation in Singapore as our Service Hub.

Going forward, our Group aims to continue our business expansion in the Asia Pacific region. Our Group will support its development in line with a series of business strategies as set out the paragraph headed “Business Objectives and Future Plans – Business Objectives and Strategies” in the Prospectus, which include the following:

1. Broadening of IT Security Products portfolio

Leveraging on our knowledge in the IT Security Solutions industry and our business relationship with the vendors, we planned to broaden our IT Security Products portfolio to combat the evolving IT Security threats and address the IT Security requirements of end-users. As at the GEM Listing Date we have been focusing on distributing IT Security Products of 19 international vendors. With the expansion of our workforce including sales, IT technical staffs and our established business relationship with our vendors, we will be able to keep abreast of the development and trends in the IT Security Solutions industry and to explore new products and business opportunities with new vendors based on market information, we were able to expand our distributorship of IT Security Products to 24 international vendors as at the Latest Practicable Date.

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

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

3. *Strengthening our sales and marketing and technical support functions*

In order to continue to maintain the quality and timely completion of our IT Security Solutions projects and to cope with the expansion of the customer base, we recruited additional staff in Hong Kong and Singapore to expand our sales and technical teams to ensure responsive services can be provided for any IT Security incidents encountered by our end-users. In addition, we have established the Green Radar Service Hub in Singapore in November 2018 so that we can proactively identify potential IT Security threats in the end-users' IT environment.

With the objective to further build up our corporate image, we have (i) revamped our corporate website to enhance its functionality by adding support case status tracking function; as well as through other media to provide (ii) update on latest IT Security threats; (iii) discussion forum for participants to share IT Security related information; and (iv) online registration for seminars and workshops.

4. *Expansion of our existing operation in Singapore as our Service Hub*

The Singapore government has laid great emphasis on IT industry and has been playing an active role in leading IT construction. To capture these opportunities, our Group have established certain wholly-owned Singapore subsidiaries. With the consideration of the business performance of our Singapore operations and the policies and regulations adopted by the Singapore government which are favorable to the growth of IT Security Solutions industry, we expanded our Singapore office by replicating the business model of our Hong Kong headquarters to Singapore.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

An analysis comparing the use of proceeds as set out in the Prospectus with our Group's actual business progress together with the utilisation of the net proceeds from the GEM Listing for the period from the GEM Listing Date to the Latest Practicable Date is set out below:

Objectives	Implementation plan	Actual business progress up to the Latest Practicable Date	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date to the Latest Practicable Date (HK\$ million)
Expansion and renovation of our Hong Kong headquarters	<ul style="list-style-type: none"> – Payment for renovation works for the new office premises with additional spaces for training and seminar rooms and warehouse 	Our Group completed the expansion of its headquarters which was fully operational in July 2017.	3.2	3.2
Establishment of the Service Hub	<ul style="list-style-type: none"> – Purchase relevant hardwares such as monitors – Purchase detection devices, logging devices and servers – Maintain and/or upgrade detection devices, logging devices to support the smooth operation of the Service Hub 	Our Group completed the establishment of the Service Hub in July 2019	2.4	2.4
Expansion of operation in Singapore as our Service Hub and its renovation	<ul style="list-style-type: none"> – Deposit for the acquisition of new office premise for the Service Hub together with renovation of the same 	Our Group completed the expansion of its Singapore Service Hub which was fully operational in November 2018.	22.5	22.5
Upgrading our management system	<ul style="list-style-type: none"> – Initiate the implementation of a ERP System to integrate and automate our internal business processes – Set up a new web portal to form a community for IT professionals – Initiate the implementation of a business analytics platform to analyse our business performance and management reporting – Review and maintain the ERP System, web portal and business analytics platform 	Our Group completed upgrading our management system in June 2019.	3.7	3.7
Upgrading network infrastructure	<ul style="list-style-type: none"> – Maintain and/or upgrade relevant hardware such as servers and system monitoring etc. to ensure the smooth operation of the Hong Kong headquarters 	Our Group had upgraded the network infrastructure had been implemented in business operations.	1.2	1.2

Objectives	Implementation plan	Actual business progress up to the Latest Practicable Date	Use of proceeds as stated in the Prospectus (HK\$ million)	Actual use of net proceeds from the GEM Listing Date to the Latest Practicable Date (HK\$ million)
Investment in demonstration equipment	– Purchase additional demonstration equipment for our Group’s pitching activities	Demonstration equipments were purchased for our Group’s pitching activities.	3.0	3.0
Increasing our marketing efforts	– Carry out marketing and promotional activities and campaigns, including joint marketing events with our vendors, training, workshops, public relations event, sponsoring public events etc.	Marketing and promotional activities and campaigns, including joint marketing events with our vendors, training workshops, public relations event, sponsoring public events etc, were carried out.	1.2	1.2
Expanding our workforce	– Hire (i) two sales staff, seven IT technical staff and two administrative staff in Hong Kong; and (ii) three sales staff, four technical staff and two administrative staff in Singapore – Conduct training and workshops for our employees	Our Group employed twelve IT technical staff, nine sales staff and ten administrative staff in Hong Kong and Singapore.	16.7	16.7
General working capital	– To be used as working capital and funding for other general corporate purposes according to our Group’s business plans	Our Group remains focused on maintaining and investing in our Group’s working capital to fund our Group’s business expansion and to enhance our Group’s operating liquidity which facilitate the growth of our Group’s business.	2.1	2.1
Total			56.0	56.0

The net proceeds from the share offer of new Shares as referred to in the Prospectus was approximately HK\$56.0 million, 100% of which has been utilised as at the Latest Practicable Date.

INDUSTRY DEVELOPMENT

Source of information

Our Company has commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the IT Security Solutions industry in Hong Kong, the PRC, Singapore and Macau. The report prepared by Frost & Sullivan for our Company is referred to in this announcement as the Frost & Sullivan Report. Our Company paid Frost & Sullivan a fee of HK\$180,000 which our Company believes reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

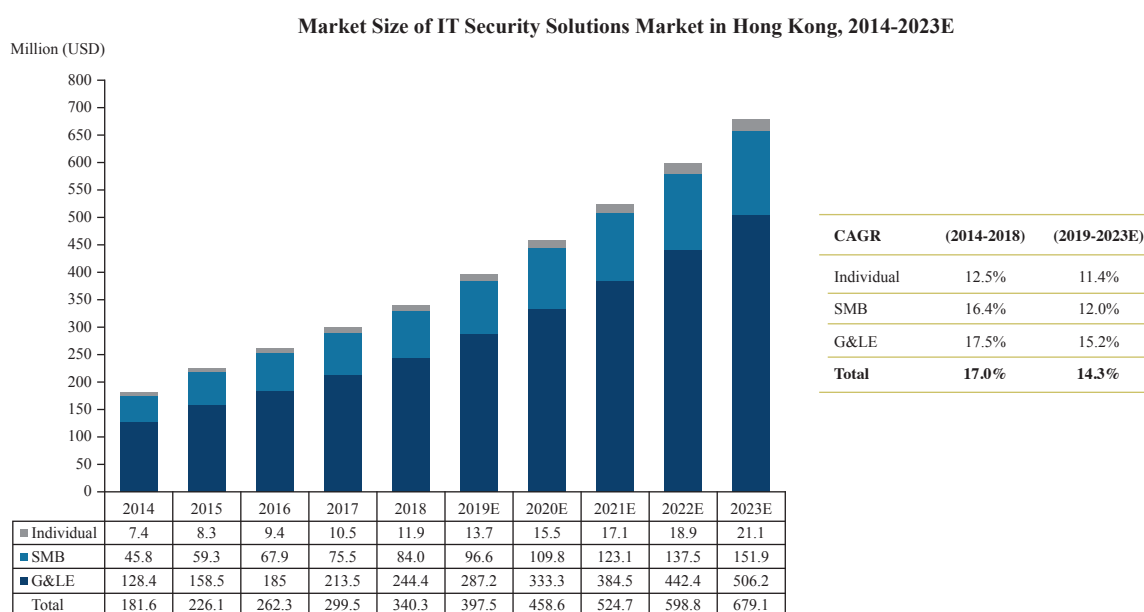
The Frost & Sullivan Report includes information on the IT Security Solutions industry in Hong Kong, the PRC, Singapore and Macau as well as other economic data, which have been quoted in the announcement. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the target market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this part of this announcement are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economy in Hong Kong, the PRC, Singapore and Macau is likely to maintain a steady growth in the next decade; and (ii) the social, economic and political environment in Hong Kong, the PRC, Singapore and Macau is likely to remain stable in the forecast period, which ensures the stable and healthy development of the IT Security Solutions market.

Overview of IT Security Solutions market in Hong Kong

IT security solutions industry is a sub-segment of the IT solutions industry. The IT security solutions industry aims to provide protection for valuable information and data from cyber-attack through IT security products including hardware and IT Security Services.

During the past five years, market size of IT security solutions market in Hong Kong increased at a CAGR of approximately 17.0%, from USD181.6 million in 2014 to USD340.3 million in 2018. The rapid growth was primarily driven by the rising number of cyber-attacks and increasing awareness of IT security. Further, the adoption of cloud services for data communication and internet of things (“IoT”) devices is further driving the demand for IT security solutions in Hong Kong. With the tightening of cybersecurity measures and initiatives of regulators and government authorities, it is anticipated that the market size of IT security solutions in Hong Kong will rise from USD397.5 million in 2019 to USD679.1 million in 2023, representing a CAGR of approximately 14.3%.



Source: Frost & Sullivan

Notes:

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

Market drivers

1. *Rise of cyber-attacks and financial losses and increase in IT security awareness*

According to Hong Kong Computer Emergency Response Team Coordination Centre (香港電腦保安事故協調中心), the total number of security incident reports rose from 3,443 in 2014 to 10,081 in 2018, representing a CAGR of approximately 30.8%. Meanwhile, as stated by Hong Kong Police Force, total financial losses due to computer crime cases increased with a CAGR of approximately 23.3%, from HK\$1,200.7 million in 2014 to HK\$2,771.0 million in 2018. Given the increasing number and wider application of connected devices, both the frequency and sophistication of cyber-attacks grew significantly. Therefore, it is anticipated that both the awareness of cybersecurity and the market demand for IT Security Solutions will increase continuously.

2. *Tightening cybersecurity measures*

The rise in the number and sophistication of cyber-attacks has raised higher attention from regulators and authorities, who are taking efforts to tighten cybersecurity measures. For example, facing the potential risks associated with the introduction of digital banking solutions, the Hong Kong Monetary Authority has announced that the financial sector will continue dealing with cybercrimes with the implementation of the Cyber Resilience Assessment Framework which is a three-part assessment helping artificial intelligence evaluate cyber resilience for the banking industry. Meanwhile, the Insurance Authority issued a Guideline on Cybersecurity which sets out the minimum cybersecurity standards for all authorised insurers. These tightened cybersecurity measures of Hong Kong regulators and authorities are expected to stimulate the market demand for IT Security Solutions in the future.

3. *Increase in the use of smart devices and adoption of IoT devices*

The growing reliance on the internet and the use of smart devices such as mobile phones and tablets have resulted in higher exposure to cyber-attacks. Further, smart devices for personal and professional use increase the access to data and information, which may cause unauthorised access under some circumstances. There was a rapid development and the adoption of IoT devices in recent years which can collect and transmit data. The lack of security and management features of these devices makes them more vulnerable when facing cyber-attacks. The vulnerability of smart and IoT devices has resulted in an expansion of services and products of IT Security Solutions market.

4. *The SFC's appeal for licensed corporations to reinforce IT security*

In response to an increasing number of accidents about hacking internet/mobile trading account and unauthorized trading transactions, the SFC made an announcement of start cyber security review on internet/mobile trading system in 2016, requiring licensed corporations to improve their IT security environment, which in turn increases the demand for IT Security Solutions accordingly. The SFC announced the circulars in 2017 and 2018, as additional brokers may wish to consider incorporating into their IT and cybersecurity risk management framework. In particular, the licensed corporations under SFO and internet brokers are subject to the compliance of relevant requirements and face rising needs for IT security enhancement.

Market challenges

1. *Rising labour and rental cost*

The cost conducting business in Hong Kong keeps rising, largely due to the escalating rental prices and wage rates. Driven by the booming business activities in Hong Kong and fierce competition for experienced and qualified talents, rental expense and labour cost kept rising, which has led to higher operating cost. The rising cost will be a heavy burden for market participants without sufficient financial support and revenue, which might undermine the future development of IT Security Solutions market in Hong Kong.

2. *Fast-pace change of technologies*

The IT Security Solutions market is characterised by fast-pace change of technologies, client's changing requirements and preferences, frequent introduction of new products, and evolving industry standards. In particular, the advancement of technologies has not only contributed to the improvements in features and functionalities of IT Security Solutions, but also increased the threat landscape and complexity. This has become a core challenge to the IT Security Solutions market participants as they are required to respond efficiently and effectively to customer demand and keep improving the quality of products and services.

Competitive landscape of IT Security Solutions market in Hong Kong

The IT Security Solutions market in Hong Kong is considered relatively consolidated with over 100 establishments in 2018. The top five IT Security Solutions providers accounted for approximately 33.8% of the market share in terms of total revenue in 2018, with the revenue of USD115.1 million. Our Group is the largest IT Security Solutions provider in Hong Kong, representing 11.0% of the market share in terms of total revenue in 2018.

Ranking and Market Share of IT Security Solutions Providers by Revenue in Hong Kong, 2018

Rank	Companies	Company Profile	Estimated Revenue in 2018 (in USD million)	Market Share (%)	Company type (listed or not)
1	Our Group	A value-added distributor specializing in IT Security solutions in Hong Kong	37.6	11.0%	Listed
2	Company A	A valued-added distributor for enterprise solutions in the Asia-Pacific region	28.1	8.3%	Private
3	Company B	A valued-added distributor with a focus on cloud, mobility, technology lifecycle, supply chain and technology solutions	23.6	6.9%	Private
4	Company C	A IT products distributor in Hong Kong, focusing on network infrastructure, network security, network access control, application security, web security and data security	15.5	4.6%	Private
5	Company D	An IT infrastructure solution provider in Hong Kong	10.3	3.0%	Listed
Top five sub-total			115.1	33.8%	
Others			225.2	66.2%	
Total			340.3	100.0%	

Source: Frost & Sullivan

Note: HKD is converted to USD at a rate of 7.84.

Entry Barriers

1. Expertise, knowledge and experience

IT Security Solutions are usually customised to meet specific needs. Understanding of clients' requirements, technical knowledge and experience are required to maintain the competitiveness. It takes time and effort for the new market entrants to accumulate market know-how of the target client groups. IT Security Solutions providers with proven track record and expertise are preferred by the clients. Industry expertise and experience, therefore, act as a major barrier for entry.

2. Brand awareness

Brand awareness among customers is another entry barrier in the IT Security Solutions industry. The leading market participants have established reputation by timely delivery and high quality of services. These well-know brands have become clients' first choices, especially for large corporations, when it comes to procurement of hardware equipment and software services. New market entrants who have limited market penetration and brand recognition might find it difficult to acquire clients.

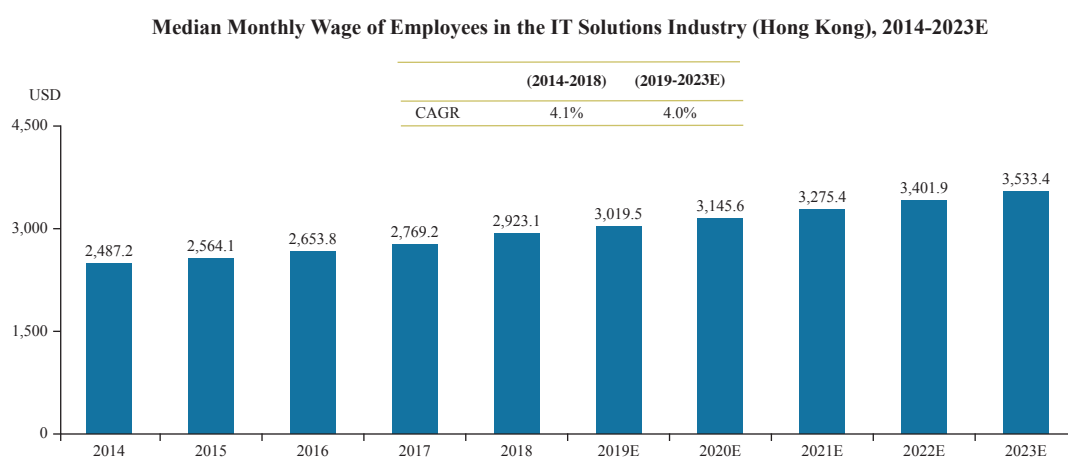
3. Strategic Partnership

IT Security Solutions providers are required to source various types of products from upstream suppliers, such as hardware manufacturers and software developers. Getting the approval and authorization from the upstream suppliers to distribute their products is the primary role for the IT Security Solutions valued-added distributors. Leading IT Security Solutions providers generally enter into strategic partnerships with the established IT security vendors, thus enjoying flexibility in product selections, timely technical support and favorable credit terms. It is also difficult for new entrants to establish the relationship with suppliers within a short period of time. Strategic partnership, therefore, is the indistinguishable asset in the IT Security Solutions industry in Hong Kong.

Cost Analysis

Major cost of IT Security Solutions market in Hong Kong include labour and hardware and software cost. IT security hardware refers to network access control, anti-virus email security, data bridge solution, data security and etc. The software cost in the IT Security Solutions industry includes the end-point system and operation security software. It is estimated that the IT security hardware and software cost index are very stable for the period from 2014 to 2023 with minor fluctuation within around 5.0%.

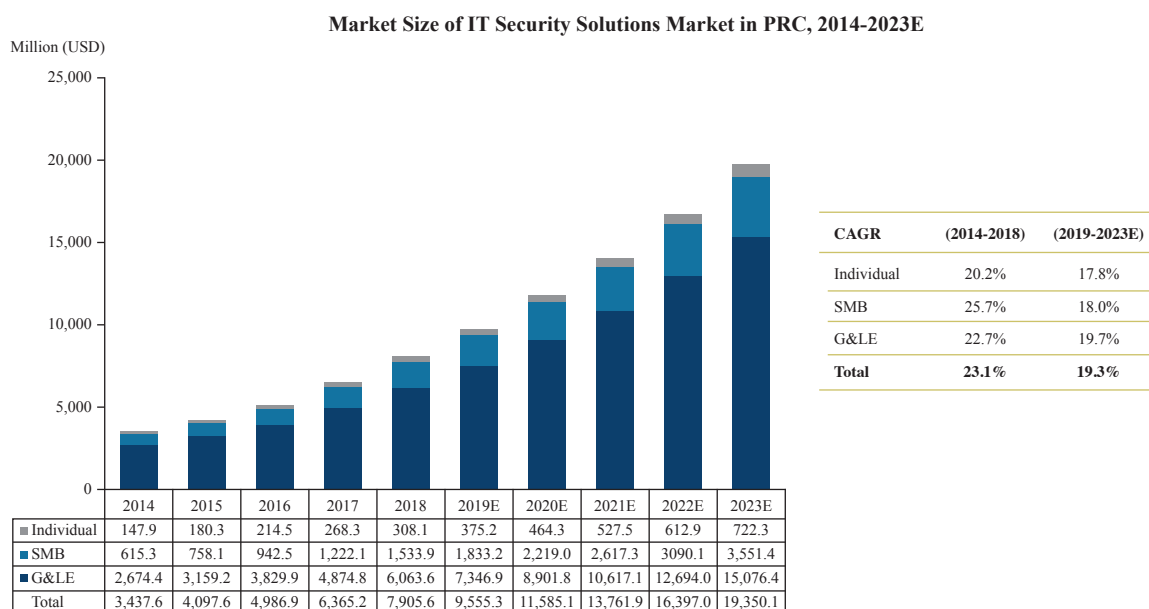
Benefitted from the rapid expansion of IT Security Solutions market, median monthly wage of employees in the IT solutions industry has demonstrated a steady rise from USD2,487.2 in 2014 to USD2,923.1 in 2018, representing a CAGR of approximately 4.1%. With the continuous growth of the industry and sustained demand for experienced talents, median monthly wage of employees in the IT solutions industry is expected to grow with a CAGR of approximately 4.0% from 2019 to 2023, achieving USD3,533.4 in 2023.



Source: Frost & Sullivan

Overview of IT Security Solutions market in the PRC

Attributable to the rising demand for IT security services, the market size of IT Security Solutions in the PRC has experienced a remarkable rise from USD3,437.6 million in 2014 to USD7,905.6 million in 2018, representing a CAGR of approximately 23.1%. During the past five years, the rapid expansion of data centres, stringent government regulations on data privacy and continuous development of cloud computing have contributed to the growth of the IT Security Solutions market in the PRC. In 2017, the PRC government introduced Cybersecurity Law which encourages and regulates the development of cybersecurity in the PRC. The Office of the Central Cyberspace Affairs Commission also issued a Notice of Request for Public Comments on the Measures for the Administration of Data Security to stress the need for protection, supervision and administration of data security. It is expected that the IT Security Solutions market in the PRC will experience a sustainable growth at a CAGR of approximately 19.3% from 2019 to 2023, reaching USD19,350.1 million by the end of 2023.

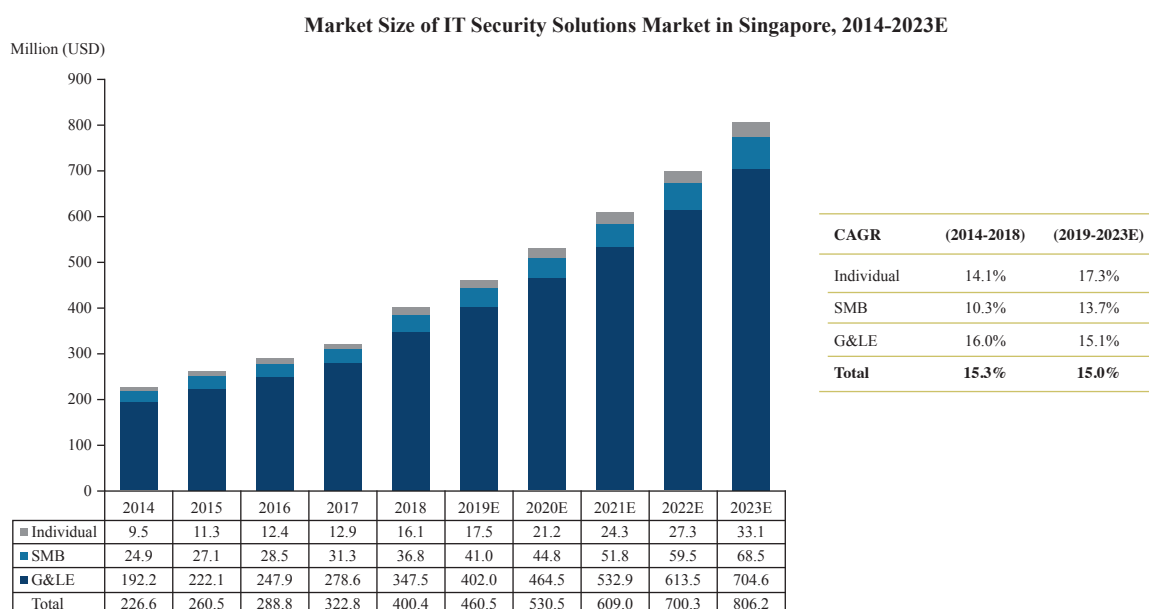


Source: Frost & Sullivan

Overview of IT Security Solutions market in Singapore

The overall IT Security Solutions industry in Singapore has enjoyed continuous growth from business transformation, such as proliferation of cloud computing and rising infrastructure requirements, and supportive government policies. From 2014 to 2018, the market size of IT Security Solutions industry in Singapore increased from USD226.6 million to USD400.4 million with a CAGR of approximately 15.3%.

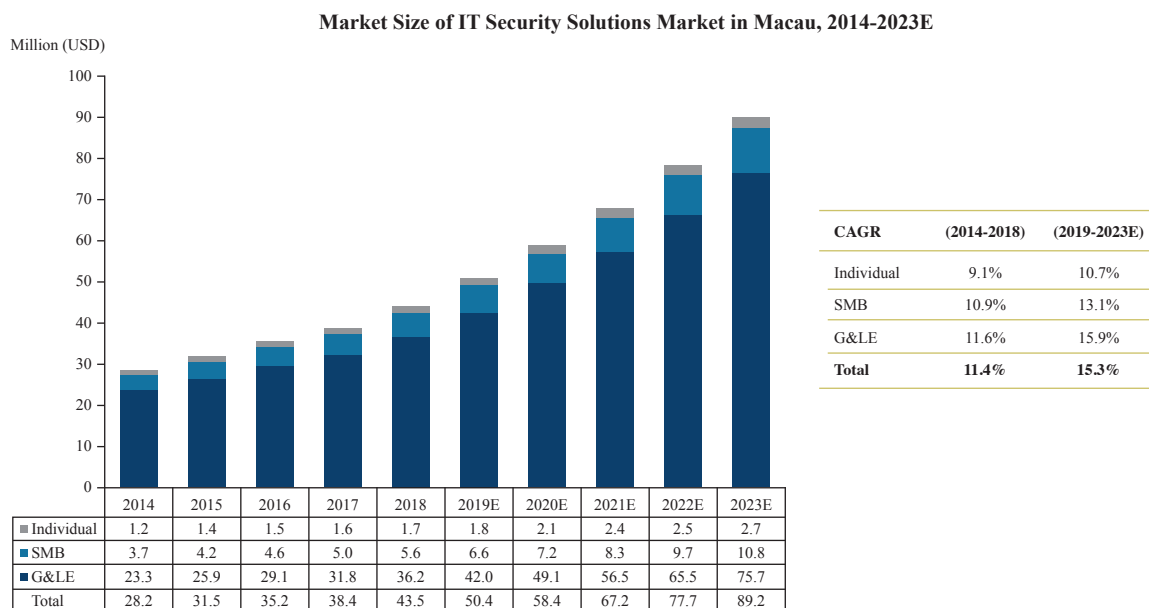
The launch of Cyber Security Strategy in 2016 engenders coordinated action and facilitates international partnerships for a resilient and trusted cyber environment which enable corporations to realise the benefits of technology on cyber security and so secure a better future for Singaporeans. In addition, the introduction of the Cybersecurity Act in 2018 established a legal framework for the oversight and maintenance of national cybersecurity in Singapore. The IT Security Solutions industry in Singapore is expected to grow accordingly and reach USD806.2 million in 2023, at a CAGR of approximately 15.0% from 2019 to 2023.



Source: Frost & Sullivan

Overview of IT Security Solutions market in Macau

The market size of IT Security Solutions in Macau has recorded a growth from USD28.2 million in 2014 to USD43.5 million in 2018 at a CAGR of approximately 11.4 %. Such growth was driven by the strong economic growth underpinned by the construction and gaming industry which stimulated the demand for IT solutions and IT Security Solutions in Macau. It is expected that the IT Security Solutions market in Macau is going to reach USD89.2 million in 2023 at a CAGR of approximately 15.3% with the growing demand arising from the increasing data exposure and cloud upgrade services.



Source: Frost & Sullivan

SUMMARY OF OUR GROUP'S FINANCIAL PERFORMANCE

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table sets forth the selected financial information of our Group for the years/ periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2017 HK\$ '000	2018 HK\$ '000	2019 HK\$ '000	2018 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)
Revenue	222,060	302,323	369,410	161,423	193,019
Cost of sales	(160,532)	(217,567)	(270,915)	(117,756)	(139,556)
Gross profit	61,528	84,756	98,495	43,667	53,463
Other income	627	849	762	534	661
Other gains and losses, net	58	816	(492)	(451)	(351)
Distribution and selling expenses	(17,489)	(22,192)	(26,242)	(13,479)	(12,822)
Administrative and other expenses	(42,899)	(40,676)	(38,772)	(20,114)	(25,786)
Net impairment losses on trade receivables	–	–	(70)	–	(93)
Finance costs	(1,240)	(506)	(647)	(298)	(751)
Profit before taxation	585	23,047	33,034	9,859	14,321
Taxation	(2,875)	(4,865)	(6,860)	(2,213)	(3,874)
(Loss) profit for the year/period	(2,290)	18,182	26,174	7,646	10,447
Other comprehensive (expense) income for the year/period:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations	(583)	218	171	(648)	(613)
Total comprehensive (expense) income for the year/period	<u>(2,873)</u>	<u>18,400</u>	<u>26,345</u>	<u>6,998</u>	<u>9,834</u>
(Loss) profit for the year/period attributable to:					
– owners of the Company	(5,414)	18,182	26,174	7,646	10,447
– non-controlling interests	3,124	–	–	–	–
	<u>(2,290)</u>	<u>18,182</u>	<u>26,174</u>	<u>7,646</u>	<u>10,447</u>
Total comprehensive (expense) income for the year/period attributable to:					
– owners of the Company	(5,872)	18,400	26,345	6,998	9,834
– non-controlling interests	2,999	–	–	–	–
	<u>(2,873)</u>	<u>18,400</u>	<u>26,345</u>	<u>6,998</u>	<u>9,834</u>
(Loss) earnings per Share (HK cents)					
– Basic	<u>(0.92)</u>	<u>1.84</u>	<u>2.62</u>	<u>0.76</u>	<u>1.04</u>
– Diluted	<u>N/A</u>	<u>1.83</u>	<u>2.61</u>	<u>0.76</u>	<u>1.04</u>

Revenue

The following table sets forth the breakdown for revenue from goods and services by business for the years/periods indicated:

	2017		For the year ended 31 March				For the six months ended 30 September			
	HK\$ '000	%	2018		2019		2018		2019	
			HK\$ '000	%	HK\$ '000	%	HK\$ '000 (unaudited)	%	HK\$ '000 (unaudited)	%
IT Security										
Products business										
– procurement of network security products, system security products and application and data security products	127,216	57.3	182,224	60.3	227,248	61.5	94,294	58.4	106,023	54.9
IT Security										
Services business										
– provision of technical implementation and consulting services	23,776	10.7	27,474	9.1	25,882	7.0	12,152	7.5	20,037	10.4
– provision of maintenance and support services	71,068	32.0	92,625	30.6	116,280	31.5	54,977	34.1	66,959	34.7
Sub-total	94,844	42.7	120,099	39.7	142,162	38.5	67,129	41.6	86,996	45.1
Total	<u>222,060</u>	<u>100</u>	<u>302,323</u>	<u>100</u>	<u>369,410</u>	<u>100</u>	<u>161,423</u>	<u>100</u>	<u>193,019</u>	<u>100</u>

The following table sets forth the breakdown of revenue from goods and services by geographical locations where our customers are located for the years/periods indicated:

	2017		For the year ended 31 March				For the six months ended 30 September			
	HK\$ '000	%	2018		2019		2018		2019	
			HK\$ '000	%	HK\$ '000	%	HK\$ '000 (unaudited)	%	HK\$ '000 (unaudited)	%
Hong Kong	186,480	84.0	236,783	78.3	294,810	79.8	129,761	80.4	153,739	79.6
Macau (Note)	6,515	2.9	22,114	7.3	18,045	4.9	14,283	8.8	22,489	11.7
Mongolia (Note)	2,316	1.0	5,898	2.0	6,332	1.7	1,754	1.1	2,973	1.5
The PRC	17,934	8.1	21,000	6.9	27,656	7.5	9,410	5.8	9,797	5.1
Singapore	8,815	4.0	16,528	5.5	22,567	6.1	6,215	3.9	4,021	2.1
Total	<u>222,060</u>	<u>100</u>	<u>302,323</u>	<u>100</u>	<u>369,410</u>	<u>100</u>	<u>161,423</u>	<u>100</u>	<u>193,019</u>	<u>100</u>

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

For the three years ended 31 March 2019

Our Group's revenue increased from approximately HK\$222.1 million for the year ended 31 March 2017 to approximately HK\$302.3 million for the year ended 31 March 2018; and further increased to approximately HK\$369.4 million for the year ended 31 March 2019, representing a growth of approximately 36.1% and 22.2% respectively. Such increase was primarily attributable to (i) the increase in revenue from our IT Security Products segment by approximately HK\$55.0 million and HK\$45.0 million for the year ended 31 March 2018 and 2019 respectively; and (ii) the increase in revenue from IT Security Services segment by approximately HK\$25.3 million and HK\$22.1 million respectively, details of which are explained below:

IT Security Products business

Our revenue generated from the IT Security Products segment increased by approximately HK\$55.0 million for the year ended 31 March 2018 and by approximately HK\$45.0 million for the year ended 31 March 2019. Such increase was primarily attributable to the year over year sales increase of products from Supplier B (increased by approximately HK\$6.7 million for the year ended 31 March 2018 and increased by approximately HK\$25.9 million for the year ended 31 March 2019), Supplier G (increased by approximately HK\$4.0 million for the year ended 31 March 2018 and increased by approximately HK\$10.8 million for the year ended 31 March 2019), Supplier C (increased by approximately HK\$17.5 million for the year ended 31 March 2018 and increased by approximately HK\$0.7 million for the year ended 31 March 2019) and Supplier F (increased by approximately HK\$21.1 million for year ended 31 March 2018). In particular, the increase in revenue generated from the IT Security Products segment for the year ended 31 March 2018 was a result of the combined effect of (i) the increase in sales of IT Security Products that are designed for end-user device attack prevention and protection following the outbreak of ransomware cyberattack in 2017, primarily attributable to products from Supplier F and Supplier C; and (ii) the increase in sales of IT Security Products that are designed for traditional privileged account management and emerging security analytic system which had been widely adopted by the IT Security Solutions Industry, primarily attributable to products from Supplier B and Supplier G. The increase in revenue generated from the IT Security Products segment for the year ended 31 March 2019 was mainly due to the growth momentum maintained for the IT Security Products in respect of traditional privileged account management and emerging security analytic system, primarily attributable to products from Supplier B and Supplier G.

IT Security Services business

Our revenue generated from the IT Security Services segment increased by approximately HK\$25.3 million for the year ended 31 March 2018 and by approximately HK\$22.1 million for the year ended 31 March 2019. Such increase was primarily attributable to the year over year sales increase of services from Supplier A (increased by approximately HK\$6.0 million for the year ended 31 March 2018 and increased by approximately HK\$11.2 million for the year ended 31 March 2019), Supplier B (increased by approximately HK\$6.0 million for the year ended 31 March 2018 and increased by approximately HK\$6.1 million for the year ended 31 March 2019) and Supplier C (increased by approximately HK\$8.6 million for the year ended 31 March 2018 and increased by approximately HK\$3.9 million for the year ended 31 March 2019). The increase in revenue generated from the IT Security Services segment for the years ended 31 March 2018 and 2019 was mainly due to the increase in revenue from the provision of corresponding maintenance and support services to customers who purchased our IT Security Products. Such increase was generally in line with our growth in revenue generated from the IT Security Products segment.

For the six months ended 30 September 2018 and 2019

Our Group's revenue increased from approximately HK\$161.4 million for the six months ended 30 September 2018 to approximately HK\$193.0 million for the six months ended 30 September 2019, representing a growth of approximately 19.6%. Such increase was primarily due to the increase in demand for our IT Securities Products and IT Securities Services from the financial service industry and gaming industry in Hong Kong and Macau.

Our revenue generated from customers located in Singapore decreased from approximately HK\$6.2 million for the six months ended 30 September 2018 to approximately HK\$4.0 million for the six months ended 30 September 2019. Such decrease was mainly attributable to our Group's focus being shifted to and resources being placed on the development of the Green Radar Service Hub as compared to the distribution of IT Security Products. As a result, the revenue generated from the IT Security Products segment had decreased accordingly.

Cost of sales

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

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Cost of hardware and software components	99,506	62.0	142,842	65.6	173,690	64.1	73,587	62.5	78,788	56.4
Cost of services	45,216	28.1	58,037	26.7	80,287	29.6	35,519	30.2	48,777	35.0
Direct staff costs	13,750	8.6	15,660	7.2	15,699	5.8	8,288	7.0	11,386	8.2
Others	2,060	1.3	1,028	0.5	1,239	0.5	362	0.3	605	0.4
Total	160,532	100	217,567	100	270,915	100	117,756	100	139,556	100

For the three years ended 31 March 2019

Our Group's cost of sales increased from approximately HK\$160.5 million for the year ended 31 March 2017 to approximately HK\$217.6 million for the year ended 31 March 2018; and to approximately HK\$270.9 million for the year ended 31 March 2019, representing a growth of approximately 35.6% and 24.5% respectively. Such increase was in line with the increase in revenue during the years, details of which are explained below.

Cost of hardware and software components

Cost of hardware and software components increased by approximately HK\$43.3 million, or approximately 43.5% for the year ended 31 March 2018; and increased by approximately HK\$30.9 million, or approximately 21.6% for the year ended 31 March 2019. Such increase was primarily due to the increase in total procurement costs of IT Security Products, which was in line with the increase in our revenue derived from IT Security Products.

Cost of services

Cost of services increased by approximately HK\$12.8 million, or approximately 28.3% for the year ended 31 March 2018; and increased by approximately HK\$22.3 million, or approximately 38.4% for the year ended 31 March 2019. Such increase was primarily due to the increase in total costs for maintenance and support services charged by our vendors, which corresponded to the increase in our revenue derived from the provision of maintenance and support services under our IT Security Services.

Direct staff costs

Direct staff costs increased by approximately HK\$1.9 million, or approximately 13.8% for the year ended 31 March 2018; and increased by approximately HK\$39,000, or approximately 0.2% for the year ended 31 March 2019. Such increase was primarily due to the stock options granted to our technical staff for the year ended 31 March 2018.

For the six months ended 30 September 2018 and 2019

Our cost of sales increased from approximately HK\$117.8 million for the six months ended 30 September 2018 to approximately HK\$139.6 million for the six months ended 30 September 2019, representing a growth of approximately 18.5%. Such increase was in line with the increase in our revenue during the periods.

Gross profit and gross profit margin

The following table sets forth the breakdown for gross profit and gross profit margin by business for the years/periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)	(unaudited)	(unaudited)	(unaudited)
IT Security Products	27,710	21.8	39,382	21.6	53,558	23.6	20,707	22.0	27,235	25.7
IT Security Services	33,818	35.7	45,374	37.8	44,937	31.6	22,960	34.2	26,228	30.1
Total	<u>61,528</u>	27.7	<u>84,756</u>	28.0	<u>98,495</u>	26.7	<u>43,667</u>	27.1	<u>53,463</u>	27.7

For the three years ended 31 March 2019

As a result of the foregoing, our overall gross profit has increased by approximately HK\$23.3 million for the year ended 31 March 2018 to approximately HK\$13.7 million for the year ended 31 March 2019, representing a growth of approximately 37.9% and 16.2% respectively.

Our gross profit margin remained relatively stable at approximately 27.7% for the year end 31 March 2017 and approximately 28.0% for the year ended 31 March 2018. For the year ended 31 March 2019, our gross profit margin decreased to approximately 26.7%. Such decrease was primarily due to the decrease in gross profit margin derived from IT Security Services offset by the increase in gross profit margin derived from IT Security Products, details of which are explained below.

IT Security Products business

Our gross profit increased by approximately HK\$11.7 million for the year ended 31 March 2018 and by approximately HK\$14.2 million for the year ended 31 March 2019, representing a growth of approximately 42.2% and 36.0% respectively.

Our gross profit margin remained stable at approximately 21.8% for the year ended 31 March 2017 and 21.6% for the year ended 31 March 2018. For the year ended 31 March 2019, our gross profit margin increased to approximately 23.6% which was mainly due to the increase in gross profit from the selling of system security products from Supplier B and Supplier G.

IT Security Services business

Our gross profit increased by approximately HK\$11.6 million for the year ended 31 March 2018, representing a growth of approximately 34.3%. For the year ended 31 March 2019, our gross profit decreased by approximately HK\$0.5 million or approximately 1.1% as a results of the increase in maintenance and support services cost offset by the decrease in technical implementation services cost.

Our gross profit margin increased from approximately 35.7% for the year ended 31 March 2017 to approximately 37.8% for the year ended 31 March 2018 and decreased to approximately 31.6% for the year ended 31 March 2019 primarily attributable to the decrease in external technician costs for the year ended 31 March 2018 and increase in sales of network security services from Supplier A for the year end 31 March 2019 respectively.

For the six months ended 30 September 2018 and 2019

Our gross profit increased by approximately HK\$9.8 million or approximately 22.4% for the six months ended 30 September 2019. Such increase was in line with the increase in our revenue.

Our gross profit margin remained stable at approximately 27.1% for the six months ended 30 September 2018 and approximately 27.7% for the six months ended 30 September 2019.

Other income

Other income mainly comprises of (i) bank interest income; (ii) interest income from deposits for life insurance contracts that we have purchased for our Directors and senior staff, and (iii) others

The following table sets forth the breakdown of other income for the years/periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Bank interest income	11	116	146	39	208
Interest income from deposits for life insurance contracts	473	467	521	249	248
Others	143	266	95	246	205
	<u>627</u>	<u>849</u>	<u>762</u>	<u>534</u>	<u>661</u>

Other gains and losses, net

Other gains and losses primarily consist of (i) net foreign exchange gain (loss); (ii) (loss) gain on disposal of property and equipment; (iii) fair value changes of derivative financial instruments; (iv) reversal of allowance for bad and doubtful debts; and (v) allowance for bad and doubtful debts.

The following table sets forth the breakdown for other gains and losses, net for the years/ periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Net foreign exchange gain (loss)	389	637	(522)	(481)	(351)
(Loss) gain on disposal of property and equipment	(344)	10	30	30	–
Fair value changes of derivative financial instruments	265	38	–	–	–
Reversal of allowance for bad and doubtful debts	–	131	–	–	–
Allowance for bad and doubtful debts	(252)	–	–	–	–
	<u>58</u>	<u>816</u>	<u>(492)</u>	<u>(451)</u>	<u>(351)</u>

Distribution and selling expenses

Distribution and selling expenses primarily consist of (i) staff costs, including salaries, performance related bonus and other staff benefits, in relation to our sales personnel; (ii) travelling, entertainment and marketing expenses mainly incurred for our marketing and business development; (iii) delivery expenses for transporting the IT Security Products to the designated location by our customers; and (iv) other miscellaneous expenses.

The following table sets forth the breakdown of distribution and selling expenses for the years/periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Staff costs	14,090	17,360	22,776	12,150	11,194
Travelling, entertainment and marketing expenses	1,525	2,314	2,494	761	822
Delivery expenses	217	171	335	161	171
Others	1,657	2,347	637	407	635
	<u>17,489</u>	<u>22,192</u>	<u>26,242</u>	<u>13,479</u>	<u>12,822</u>

Distribution and selling expenses amounted to approximately HK\$17.5 million, HK\$22.2 million, HK\$26.2 million, HK\$13.5 million and HK\$12.8 million for each of the three years ended 31 March 2019 and the six months ended 30 September 2018 and 2019, respectively, which accounted for approximately 7.9%, 7.3%, 7.1%, 8.4% and 6.6% of total revenue for the respective periods.

Distribution and selling expenses of our Group increased by approximately 26.9% from approximately HK\$17.5 million for the year ended 31 March 2017 to approximately HK\$22.2 million for the year ended 31 March 2018, and further increased by approximately 18.0% to approximately HK\$26.2 million for the year ended 31 March 2019. The increase was mainly attributable to increase in sales staff cost, travelling, entertainment and marketing expenses which is in line with the increasing trend of our Group's revenue.

Distribution and selling expenses of our Group decreased by approximately 5.2% from approximately HK\$13.5 million for the six months ended 30 September 2018 to approximately HK\$12.8 million for the six months ended 30 September 2019. The decrease in distribution and selling expenses was attributable to the decrease in sales staff cost as a result of the sales personnel re-arrangement.

Administrative and other expenses

Administrative and other expenses mainly consist of (i) staff costs, including Directors' remuneration, salaries and other staff benefits for our administrative staff; (ii) rental expenses; (iii) depreciation on our leasehold improvements, furniture, fixtures, office and computer equipment, motor vehicle as well as right-of-use assets; (iv) professional fees; (v) auditor's remuneration; and (vi) listing related expenses, etc.

The following table sets forth the breakdown of administrative and other expenses for the years/periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Staff costs	11,882	18,494	17,338	8,893	9,221
Rental expenses	5,003	6,457	5,835	2,964	440
Depreciation	1,267	3,750	4,837	2,154	4,348
Professional fees	2,221	2,487	2,870	1,417	1,572
Auditor's remuneration	1,000	1,200	1,200	730	757
Bank Charges	249	469	166	92	70
Utilities	155	191	249	131	160
Computer, Telephone & Internet expenses	667	928	1,069	557	593
Listing related expenses (Note)	17,424	1,383	–	–	5,671
Others	3,031	5,317	5,208	3,176	2,954
	<u>42,899</u>	<u>40,676</u>	<u>38,772</u>	<u>20,114</u>	<u>25,786</u>

Note:

Our Company's Shares have been listed on GEM on 19 April 2017. The total expenses directly attributable to GEM Listing were approximately HK\$17,665,000 and HK\$1,423,000, respectively, during the years ended 31 March 2017 and 2018.

Included in the GEM Listing related expenses, amounts of approximately HK\$241,000 and HK\$40,000 for the years ended 31 March 2017 and 2018, respectively, represented interests on bank borrowings for the purpose of the settlement of the listing expenses and were incorporated in "finance costs" on the consolidated statement of profit or loss and other comprehensive income.

Included in the GEM Listing related expenses, amounts of approximately HK\$17,424,000 and HK\$1,383,000 for the years ended 31 March 2017 and 2018, respectively, were included in "administrative and other expenses" on the consolidated statement of profit or loss and other comprehensive income

Administrative and other expenses amounted to approximately HK\$42.9 million, HK\$40.7 million, HK\$38.8 million, HK\$20.1 million and HK\$25.8 million for each of the three years ended 31 March 2019 and the six months ended 30 September 2018 and 2019, respectively, which accounted for 19.3%, 13.5%, 10.5%, 12.5% and 13.4% of the total revenue for the respective periods.

Administrative and other expenses of our Group decreased by approximately 5.1% from approximately HK\$42.9 million for the year ended 31 March 2017 to approximately HK\$40.7 million for the year ended 31 March 2018. Excluding listing related expenses incurred approximately HK\$17.4 million and HK\$1.4 million during the year ended 31 March 2017 and 31 March 2018 respectively, administrative expenses increased by approximately 54.1% from approximately HK\$25.5 million for the year ended 31 March 2017 to approximately HK\$39.3 million for the year ended 31 March 2018. The increase was mainly attributable to the increase in directors' remuneration and other general staff cost, depreciation expenses and rental expenses.

Administrative and other expenses of our Group decreased by approximately 4.7% from approximately HK\$40.7 million for the year ended 31 March 2018 to approximately HK\$38.8 million for the year ended 31 March 2019. Excluding listing related expenses incurred approximately HK\$1.4 million during the year ended 31 March 2018, administrative expenses decreased slightly approximately by 1.3% from approximately HK\$39.3 million for the year ended 31 March 2018 to approximately HK\$38.8 million for the year ended 31 March 2019, mainly due to the net effect of the increase in depreciation and the decrease in administrative staff cost and rental expenses.

Our staff costs decreased by 6.5% from approximately HK\$18.5 million for the year ended 31 March 2018 to approximately HK\$17.3 million for the year ended 31 March 2019. Such decrease was mainly attributable to (i) the re-designation of Mr. Lo Wai Ho Ashley from executive Director to non-executive Director in January 2018 and (ii) the resignation of a senior manager in July 2018.

Our rental expenses decreased by 10.8% from approximately HK\$6.5 million for the year ended 31 March 2018 to approximately HK\$5.8 million for the year ended 31 March 2019. Such decrease was mainly attributable to the termination of the tenancy in respect of the office in Singapore in August 2018.

Administrative and other expenses of our Group increased by approximately 28.4% from approximately HK\$20.1 million for the six months ended 30 September 2018 to approximately HK\$25.8 million for the six months ended 30 September 2019. Excluding the listing related expenses for Transfer of Listing of approximately HK\$5.7 million incurred for the six months ended 30 September 2019, administrative expenses remained stable at approximately HK\$20.1 million.

Our rental expenses decreased from approximately HK\$3.0 million for the six months ended 30 September 2018 to approximately HK\$0.4 million for the six months ended 30 September 2019. Our depreciation increased from approximately HK\$2.2 million for the six months ended 30 September 2018 to approximately HK\$4.3 million for the six months ended 30 September 2019. The decrease in rental expenses and increase in depreciation for the six months ended 30 September 2019 were mainly attributable to the adjustments made according to HKFRS 16 “Leases”.

Taxation

Taxation for our Group increased from approximately HK\$2.9 million for the year ended 31 March 2017 to approximately HK\$4.9 million for the year ended 31 March 2018. Such increase was mainly due to the increase in profit generated by subsidiaries in Hong Kong, the PRC and Macau.

Taxation for our Group increased from approximately HK\$4.9 million for the year ended 31 March 2018 to approximately HK\$6.9 million for the year ended 31 March 2019. Such increase was mainly due to the increase in profit generated by a subsidiary in Hong Kong.

Taxation for our Group increased from approximately HK\$2.2 million for the six months ended 30 September 2018 to approximately HK\$3.9 million for the six months ended 30 September 2019. Such increase was mainly due to the increase in estimated assessable profit generated by a subsidiary in Hong Kong.

The effective tax rates, calculated as income tax expense divided by profit before taxation for each of the three years ended 31 March 2019 and the six months ended 30 September 2018 and 2019, were approximately 483.3%, 21.3%, 20.9%, 22.2% and 27.3%, respectively. The high effective tax rate for the year ended 31 March 2017 and the six months ended 30 September 2019 was mainly attributable to the tax effect from the listing related expenses incurred which were not deductible for tax purpose. For the two years ended 31 March 2019 and the six months ended 30 September 2018, the effective tax rates were higher than the statutory tax rate in Hong Kong which was mainly due to the tax effect of the expenses which were not deductible for tax purpose.

(Loss)/profit for the year/period

In view of the foregoing, our Group's recorded a loss of approximately HK\$2.3 million for the year ended 31 March 2017, and increased to a profit of approximately HK\$18.2 million, HK\$26.2 million, HK\$7.6 million and HK\$10.4 million for the two years ended 31 March 2019, and six months ended 30 September 2018 and 2019 respectively. Excluding the non-recurring GEM Listing related expenses of approximately HK\$17.7 million and HK\$1.4 million, respectively for the two years ended 31 March 2018, profit for the corresponding year was approximately HK\$15.4 million and HK\$19.6 million and profit attributable to owners of our Company for the corresponding year was approximately HK\$12.3 million and HK\$19.6 million.

No such non-recurring listing related expenses was incurred for the year ended 31 March 2019 and six months ended 30 September 2018. Excluding the non-recurring listing related expenses for Transfer of Listing HK\$5.7 million for the six months ended 30 September 2019, profit for the corresponding period and profit attributable to owners of our Company was approximately HK\$16.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, our Group had total assets of approximately HK\$336.0 million (31 March 2019: approximately HK\$315.4 million), which were financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$236.0 million (31 March 2019: approximately HK\$195.5 million) and approximately HK\$99.9 million (31 March 2019: approximately HK\$119.8 million), respectively. The total borrowings of our Group as at 30 September 2019 were approximately HK\$39.2 million (31 March 2019: approximately HK\$26.5 million). The increase in total borrowings was mainly due to the recognition of lease liabilities of approximately HK\$14.2 million upon application of HKFRS 16 "Leases". The current ratio, calculated based on the total current assets as at the respective year/period end divided by total current liabilities as at the respective year/period end, as at 30 September 2019 was approximately 1.4 times (as at 31 March 2019: approximately 1.7 times).

Consolidated Statement of Financial Position

	As at 31 March			As at
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Non-current assets				
Property and equipment	8,960	7,311	39,245	54,313
Deposits paid for acquisition of property and equipment	–	28,744	300	–
Prepayment and deposits	27,155	36,403	41,502	42,965
Deferred tax assets	294	93	–	–
	<u>36,409</u>	<u>72,551</u>	<u>81,047</u>	<u>97,278</u>
Current assets				
Inventories	5,246	9,390	7,763	17,885
Trade and other receivables, prepayments and deposits	92,092	122,698	152,815	187,400
Tax recoverable	2,364	2,905	–	–
Bank balances and cash	18,499	62,391	73,725	33,393
	<u>118,201</u>	<u>197,384</u>	<u>234,303</u>	<u>238,678</u>
Current liabilities				
Trade and other payables and accruals	93,851	110,915	42,751	65,780
Contract liabilities	–	–	82,775	83,827
Bank borrowings	27,022	8,585	4,403	3,774
Obligations under finance lease	146	–	–	–
Lease liabilities	–	–	–	5,002
Provision	1,826	1,826	–	–
Derivative financial instruments	38	–	–	–
Tax liabilities	–	2,710	5,045	7,927
	<u>122,883</u>	<u>124,036</u>	<u>134,974</u>	<u>166,310</u>
Net current (liabilities) assets	<u>(4,682)</u>	<u>73,348</u>	<u>99,329</u>	<u>72,368</u>
Total assets less current liabilities	<u>31,727</u>	<u>145,899</u>	<u>180,376</u>	<u>169,646</u>
Non-current liabilities				
Deferred revenue	22,532	31,196	–	–
Contract liabilities	–	–	38,395	39,266
Bank borrowings	–	12,723	22,135	21,233
Lease liabilities	–	–	–	9,223
	<u>22,532</u>	<u>43,919</u>	<u>60,530</u>	<u>69,722</u>
Net assets	<u>9,195</u>	<u>101,980</u>	<u>119,846</u>	<u>99,924</u>
Capital and reserves				
Share capital	–	10,000	10,014	10,014
Reserves	9,195	91,980	109,832	89,910
Total equity	<u>9,195</u>	<u>101,980</u>	<u>119,846</u>	<u>99,924</u>

Property and equipment

Our property and equipment primarily consisted of properties, leasehold improvements, furniture, fixtures and office and computer equipment and motor vehicles. As at 31 March 2017, 2018 and 2019 and 30 September 2019, our property and equipment amounted to approximately HK\$9.0 million, HK\$7.3 million, HK\$39.2 million and HK\$54.3 million, respectively. The increase in property and equipment as at 31 March 2019 was mainly due to the acquisition of properties in Singapore. For details, please refer to the announcement of the Company published on 16 January 2018 in relation the acquisition. The further increase in property and equipment as at 30 September 2019 was mainly due to the adjustments made according to HKFRS 16 “Leases”. Upon application of HKFRS 16, the Group has recognised right-of-use assets and lease liabilities of approximately HK\$15.3 million and rental deposits of approximately HK\$0.2 million was adjusted to right-of-use assets as at 1 April 2019.

Deposits paid for acquisition of property and equipment

Our deposits paid for acquisition of property and equipment as at 31 March 2017, 2018 and 2019 and 30 September 2019 amounted to nil, HK\$28.7 million, HK\$0.3 million and nil, respectively. The deposits paid for acquisition of property and equipment as at 31 March 2018 was for the acquisition of properties in Singapore, whereas the deposits paid for acquisition of property and equipment as at 31 March 2019 was for website development for Green Radar.

Inventories

Our Group’s inventories principally comprise of the hardware and software components of the IT Security Products and demonstration equipment which are available for sale. The balance of our Group’s inventories was approximately HK\$5.2 million, HK\$9.4 million, HK\$7.8 million and HK\$17.9 million as at 31 March 2017, 2018 and 2019 and 30 September 2019, respectively. The increase in inventories as at 31 March 2018 was mainly due to (i) we recorded purchase orders of approximately HK\$3.1 million in March 2018 which were subsequently delivered to our customers in the first quarter of the financial year ended 31 March 2019, and (ii) we keep additional spare units of approximately HK\$0.9 million for prompt replacement for various models of our IT Security Products for our maintenance and support services. The increase in inventories as at 30 September 2019 was mainly due to the hardware and software components received by our Group in late September 2019 which amounted to approximately HK\$10.5 million and were yet to be delivered as at 30 September 2019.

The following table sets forth the turnover days of inventories for the years/periods indicated:

	For the year ended 31 March			For the six months ended
	2017	2018	2019	30 September 2019
Average inventory turnover days (Note)	19	12	12	17

Note: Average inventory turnover days is calculated using the arithmetic mean of the beginning and closing balances of inventories for the relevant year/period divided by cost of sales for the relevant year/period and multiplied by 365/183 days in the relevant year/period.

Our average inventory turnover days decreased from 19 days for the year ended 31 March 2017 to 12 days for the year ended 31 March 2018, which was mainly attributable to the higher cost of sales for the year ended 31 March 2018. Our Group's average inventory turnover days remained relatively stable at 12 and 12 days for the years ended 31 March 2018 and 2019, respectively. Our average inventory turnover days increased from 12 days for the year ended 31 March 2019 to 17 days for the six months ended 30 September 2019, which was mainly due to the significant increase in inventories as at 30 September 2019 as mentioned above.

As at the Latest Practicable Date, approximately HK\$12.3 million or approximately 68.7% of inventories as at 30 September 2019 had been subsequently sold or utilised. Such low subsequent usage was mainly due to (i) approximately 14.1% of our total inventories as at 30 September 2019 was demonstration equipment held for pitching activities and spare units for prompt replacement of various models of our IT Security Products for our maintenance and support services purpose and (ii) inventories of approximately HK\$1.2 million were scheduled to be delivered in January 2020 and January 2021.

It is our Group's policy to purchase inventories on a back-to-back basis for our customers. We generally place orders with our vendors only upon receiving confirmation of orders from our customers to reduce our risk exposure to technological obsolescence or slow-moving stock. In respect of the exceptional case where inventories were scheduled to be delivered in January 2020 and 2021, our Group could enjoy an extra discount for a bulk purchase of software subscriptions from the vendor, and hence, we decided to bulk purchase all the software subscriptions in advance for such multi-year transaction, inventories of which will be delivered to the customer according to the contract milestones after (i) entering into contract with the relevant customer for such transaction which obligates full settlement by contract milestones; and (ii) obtaining the approval of our managing director and chief operating officer. In addition, those inventories are software subscriptions which include rights for receiving updates on the software during the subscribed period and hence would not depreciate or become obsolete.

The demonstration equipment is categorised as inventory instead of equipment as the demonstration equipment is held for sales after the pitching activities. During the pitching activities, demonstration equipment is first installed at our customers' premises for extensive testing before our customers confirm that it fulfils their requirements on the sales order.

For illustrative purpose, as at the Latest Practicable Date, excluding the demonstration equipment and the spare units and inventories which were scheduled to be delivered in January 2020 and January 2021 as mentioned above, the subsequent usage of our Group's inventories as at 30 September 2019 should be 86.7%.

Trade and other receivables, prepayments and deposits

The following table sets forth the components of our Group's Trade and other receivables, prepayments and deposits as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current				
Trade receivables	61,102	78,527	93,210	125,056
Less: allowance for credit losses	(131)	–	(620)	(713)
	60,971	78,527	92,590	124,343
Prepayments to suppliers for maintenance and support services	25,152	39,156	55,869	59,910
Other tax receivables	–	3,070	1,054	1,225
Deferred listing expenses	5,000	–	–	–
Prepayments and others	969	1,945	3,302	1,922
	92,092	122,698	152,815	187,400
Non-current				
Rental deposits	1,348	1,484	1,466	1,254
Deposits for life insurance contracts	12,185	12,506	12,836	13,006
Prepayment of life insurance charged	578	537	496	475
Prepayments to suppliers for maintenance and support services	13,044	21,876	26,704	28,230
	27,155	36,403	41,502	42,965
Total trade and other receivables, prepayments and deposits	119,247	159,101	194,317	230,365

Trade and other receivables, prepayments and deposits of our Group increased by approximately HK\$39.9 million from approximately HK\$119.2 million as at 31 March 2017 to approximately HK\$159.1 million as at 31 March 2018 and further increased to approximately HK\$194.3 million as at 31 March 2019 and approximately HK\$230.4 million as at 30 September 2019. The increase for the three years ended 31 March 2019 was mainly due to our business expansion reflected in the increase in revenue during the period. In particular, the increase in our trade receivables as at 30 September 2019 was primarily attributable to (i) the issuance of certain invoices of relatively larger amount of approximately HK\$22.1 million in total shortly prior to 30 September 2019 which were yet to be settled; (ii) the slower settlement of our trade receivables by certain customers; and (iii) the change of internal personnel of a major customer.

As at 30 September 2019, the Group's trade receivables past due over 90 days amounted to approximately HK\$13.1 million which was mainly attributable to: (i) approximately HK\$7.8 million due from Customer A mainly relating to the maintenance renewal contracts and of which approximately HK\$0.2 million had been settled as at the Latest Practicable Date (such low subsequent settlement was mainly attributable to the change of internal personnel of Customer A due to restructuring of its sales team which delayed the processing of the settlement of the relevant invoices of our Group. Since then, Customer A has assigned specific sales personnel to handle the settlement of those invoices. Furthermore, Customer A has agreed that the remaining past due balance shall be fully settled in three installments in December 2019 and January 2020) and (ii) approximately HK\$3.8 million due from three customers which had been fully settled. Our Directors confirm that our business relationship with Customer A is ongoing as they have settled trade receivables of approximately HK\$36.1 million for the period from 1 April 2019 up to the Latest Practicable Date.

Our sales are generally made on credit and we generally grant a credit period of 30 to 60 days to our customers upon issuance of our invoices.

The following table sets forth the aging analysis of trade receivables, net of allowance for credit losses presented based on the invoice date as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	37,997	44,112	56,762	57,615
31 to 60 days	17,345	19,710	14,777	31,739
61 to 90 days	3,003	7,900	10,429	11,465
91 to 120 days	1,585	3,007	3,554	7,440
121 to 365 days	1,041	3,798	7,068	16,084
	<u>60,971</u>	<u>78,527</u>	<u>92,590</u>	<u>124,343</u>

The following table sets forth the aging analysis of trade receivables past due but not impaired as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overdue 0 to 30 days	11,618	13,834	12,786	32,252
Overdue 31 to 60 days	3,029	5,268	6,535	9,455
Overdue 61 to 90 days	400	2,842	4,521	6,548
Overdue 91 to 120 days	225	1,973	4,928	2,722
Overdue 121 to 180 days	228	792	983	4,241
Overdue over 180 days	590	108	488	6,150
	<u>16,090</u>	<u>24,817</u>	<u>30,241</u>	<u>61,368</u>

With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, our Directors do not consider these receivables as credit-impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

Movement in the allowance for bad and doubtful debts

Our Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including the creditworthiness, past collection history of each customer and/or the age and subsequent settlement of individual balance.

The following table sets forth the movement of allowance for credit losses on trade receivables during the year ended 31 March 2017 and 2018 as at the date indicated:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
At the beginning of the reporting period	–	131
Reversal recognised	–	(131)
Allowance recognised on receivables	252	–
Amount written off as uncollectible	(121)	–
	<u>131</u>	<u>–</u>
At the end of the reporting period	<u>131</u>	<u>–</u>

Since 1 April 2018, the Group applied HKFRS 9 “Financial Instruments” to measure expected credit losses (“ECL”) which uses a lifetime ECL for all trade receivables. Debtors have been assessed individually with aggregated outstanding balances exceeding HK\$1,000,000 and the remaining debtor balances are grouped based on shared credit risk characteristics.

The following table sets forth the movement of allowance for credit losses on trade receivables during the year ended 31 March 2019 and the six months ended 30 September 2019 as at the date indicated:

	<i>HK\$'000</i>
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening accumulated profits	<u>550</u>
At 1 April 2018	550
Changes due to financial instruments recognised as at 1 April 2018:	
– Impairment loss reversed	(550)
New financial assets originated	<u>620</u>
As at 31 March 2019	<u>620</u>
New financial assets originated	<u>93</u>
As at 30 September 2019	<u><u>713</u></u>

During the year ended 31 March 2018, our Group has reversed allowance for bad and doubtful debts of approximately HK\$131,000 as a result of repayment of the receivables by the customers. The reversal of allowance for bad and doubtful debts have been included in “other gains and losses, net” in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are written off when considered as uncollectible.

As at 31 March 2017 and 2018, trade receivables of approximately HK\$16.1 million, and approximately HK\$24.8 million, respectively, were past due but not impaired. Our Directors confirm that these related to customers with no significant financial difficulty and based on our Group’s experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as the balances were considered fully recoverable.

As at 31 March 2018, there was no balance on allowance for bad and doubtful debts. Upon application of HKFRS9, the impairment losses on trade receivables of HK\$550,000 had been recognised against accumulated profits. During the year ended 31 March 2019, our Group provided impairment allowance of HK\$28,000 for trade receivables, based on the provision matrix. Impairment allowance of approximately HK\$42,000 was provided for debtors which were assessed individually with aggregated outstanding balances exceeding HK\$1,000,000 during the year ended 31 March 2019.

During the six months ended 30 September 2019, our Group provided impairment losses allowance of approximately HK\$93,000 for trade receivables.

The table below sets forth our Group's turnover days of trade receivables as at the dates indicated:

	For the year ended 31 March			For the six months ended 30 September 2019
	2017	2018	2019	
Average turnover days of trade receivables (note)	81	84	85	103

Note: Average turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue for the relevant year/period and multiplied by 365/183 days in the relevant year/period. Average balance of trade receivables is the arithmetic mean of the beginning and the ending balance for the relevant year/period.

Our Group's average turnover days of trade receivables remained relatively stable ranging from 81 days to 85 days during the three years ended 31 March 2019. Our Group's average turnover days of trade receivables, increased to 103 days as at 30 September 2019 compared to 85 days as at 31 March 2019, which was mainly due to the increase in trade receivable as at 30 September 2019, the reasons of which are set out in the paragraph headed "Trade and other receivables, prepayments and deposits" above in this section. Up to the Latest Practicable Date, approximately HK\$70.0 million or approximately 56.3% of trade receivables as at 30 September 2019 had been subsequently settled.

The relatively low subsequent settlement of trade receivables as at 30 September 2019 was mainly attributable to (i) the slower settlement by certain customers and (ii) the change of internal personnel of a major customer.

Trade and other payables and accruals

The following table sets forth the components of our Group's trade and other payables and accruals as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Trade payables	28,035	33,691	32,934	52,347
Other accrued expense	2,133	4,238	3,408	3,169
Accrued staff costs	3,337	6,015	6,031	6,398
Accrued listing related expenses	8,953	–	–	3,444
Payable for purchase of property and equipment	3,168	–	–	–
Deferred revenue (note)	69,158	96,317	–	–
Others	1,599	1,850	378	422
	<u>116,383</u>	<u>142,111</u>	<u>42,751</u>	<u>65,780</u>
Total trade and other payables and accruals				
Analysis as:				
Current	93,851	110,915	42,751	65,780
Non-current	22,532	31,196	–	–
	<u>116,383</u>	<u>142,111</u>	<u>42,751</u>	<u>65,780</u>

Note: The amounts represent the prepayment received from the customers for our 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. Upon application of HKFRS 15 on 1 April 2018, deferred revenue were reclassified as contract liabilities.

Trade and other payables and accruals of our Group increased from approximately HK\$116.4 million as at 31 March 2017 to approximately HK\$142.1 million as at 31 March 2018 was mainly attributable to our Group's business expansion. Trade and other payables and accruals of our Group decreased from approximately HK\$142.1 million approximately to HK\$42.8 million which was mainly due to the deferred revenue has been reclassified as contract liabilities upon application of HKFRS 15 on 1 April 2018.

Trade and other payables and accruals of our Group increased from approximately HK\$42.8 million as at 31 March 2019 to approximately HK\$65.8 million as at 30 September 2019, which was mainly attributable to the increase in trade payables and accrued listing related expenses.

Trade payables primarily consisted of trade balances due to our vendors in respect of our IT Security Products and IT Security Services business. The suppliers generally offered our Group a credit period of 30 to 60 days. The table below sets forth our Group's turnover days of trade payables as at the dates indicated:

	For the year ended 31 March			For the six months ended
	2017	2018	2019	30 September 2019
Average turnover days of trade payables (note)	61	52	45	56

Note: Average turnover days of trade payables is calculated using the average balance of trade payables divided by cost of sales for the relevant year/period and multiplied by 365/183 days in the relevant year/period. Average balance of trade payables is the arithmetic mean of the beginning and the ending balance for the relevant year/period.

Our Group's average turnover days of trade payables remained stable as at 30 September 2019. Up to the Latest Practicable Date, approximately HK\$35.9 million or 68.6% of our Group's trade payables as at 30 September 2019 had been subsequently settled.

Deferred revenue/contract liabilities

Our Group's deferred revenue/contract liabilities primarily relate to the receipt in advance from customers before the services for maintenance and support services commence. As at 31 March 2017 and 2018, we recorded deferred revenue of approximately HK\$69.2 million and HK\$96.3 million, respectively. Upon application of HKFRS15 since 1 April 2018, deferred revenue is reclassified to contract liabilities. As at 31 March 2019 and 30 September 2019, we recorded contract liabilities of approximately HK\$121.2 million and HK\$123.1 million, respectively.

The following table sets forth the aging analysis of deferred revenue/contract liabilities as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Expected to be released to profit or loss within one year	46,626	65,121	82,775	83,827
Expected to be released to profit or loss after one year	22,532	31,196	38,395	39,266
	<u>69,158</u>	<u>96,317</u>	<u>121,170</u>	<u>123,093</u>

The contract liabilities (since 1 April 2018 since application of HKFRS15)/deferred revenue (before 1 April 2018) are recognised as revenue of maintenance and support services on a straight-line basis over the terms of respective contracts.

As at the Latest Practicable Date, approximately HK\$63.4 million, HK\$84.7 million, HK\$66.0 million and HK\$20.8 million, representing 91.7%, 88.0%, 54.5% and 16.9% of our contract liabilities recorded as at 31 March 2017, 2018 and 2019 and 30 September 2019, respectively, had been utilised and recorded as revenue in our financial statements.

Bank borrowings

The bank borrowings as at 31 March 2017 with effective interest rate 3.8% to 6.0% per annum were secured by the life insurance contracts and personal guarantees provided by Mr. Raymond Liu and Mr. Ashley Lo has been released and replaced by the corporate guarantee provided by our Company upon listing of the Shares of our Company on GEM. HK\$19.2 million bank borrowings was repaid during the year ended 31 March 2018.

During the year ended 31 March 2018, our Group has drawn down a bank borrowing of S\$2,262,000 (approximately HK\$13,443,000) for purchase of properties located in Singapore. The loan carries interest of prevailing Enterprise Finance Rate (“**EFR**”) minus a spread. The effective interest rate on this bank borrowing was 5.7% per annum (31 March 2017: nil) as at 31 March 2018. Bank borrowings increased to HK\$21.3 million as at 31 March 2018. The remaining bank borrowings are HK\$7.9 million at floating rate which carry interest at HK\$/US\$ best lending rate (“**BLR**”) minus a spread, the effective interest rate on the Group’s remaining bank borrowings was 5.0% to 5.5% per annum as at 31 March 2018.

During the year ended 31 March 2019, our Group further drawn down a bank borrowing of S\$1,851,000 (approximately HK\$10,773,000 at the draw down date). This loan carries interest of prevailing EFR minus a spread. The effective interest rate on the bank borrowing was 5.8% per annum as at 31 March 2019. The remaining bank borrowings are HK\$3.4 million at floating rate which carry interest at BLR minus a spread, the effective interest rate on the Group’s remaining bank borrowings was 6.5% per annum as at 31 March 2019.

The bank borrowings decreased from HK\$26.5 million as at 31 March 2019 to HK\$25.0 million as at 30 September 2019 due to repayment of the principal during the six months ended 30 September 2019.

GEARING RATIO

The gearing ratio decreased significantly from 295.5% as at 31 March 2017 to approximately 20.9% as at 31 March 2018 and approximately 22.1% as at 31 March 2019 which was mainly resulted from the lower total equity balance as at 31 March 2017. The gearing ratio of our Group as at 30 September 2019 increased to approximately 39.3% which was attributable to the lease liabilities recognised according to HKFRS 16 “Leases”. Gearing ratio is calculated based on the total debt (defined as the sum of bank borrowings, obligations under finance leases and lease liabilities) as at the respective year/period end divided by total equity as at the respective year/period end and multiplied by 100%.

COMMITMENT

The contractual commitments of our Group were primarily related to the leases of its office premises. Our Group's lease commitments amounted to approximately HK\$14.3 million as at 30 September 2019 (as at 31 March 2019: approximately HK\$16.9 million; as at 31 March 2018: approximately HK\$6.3 million; as at 31 March 2017: approximately HK\$11.7 million). The increase was mainly related to the lease entered into by our Group in December 2018 for its office in Hong Kong.

CAPITAL COMMITMENT

As at 30 September 2019, our Group has no material capital commitments (as at 31 March 2019: approximately HK\$0.3 million; as at 31 March 2018: approximately HK\$1.6 million; as at 31 March 2017: approximately HK\$0.2 million) in respect of the property and equipment contracted but not provided for.

MATERIAL ACQUISITIONS AND DISPOSALS OF BUSINESSES

Our Group did not have other material acquisition or disposals of corporate interests or businesses during the three years ended 31 March 2019, the six months ended 30 September 2019 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, our Group employed a total of 91 employees (as at 30 September 2018: 86 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the six months ended 30 September 2019 were approximately HK\$31.8 million (six months ended 30 September 2018: HK\$29.3 million).

The remuneration package for our Group's employees generally includes salary and bonuses. Our Group's employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. Our Group conducts annual review of the performance of our Group's employees for determining the level of bonus, salary adjustment and promotion of our Group's employees. Our Group also conducts research on the remuneration packages offered for similar positions in Hong Kong in order to keep our Group's remuneration packages at a competitive level. Our Company has also adopted the Share Option Scheme which has become effective upon the GEM Listing. The Share Option Scheme is designed to provide incentives and rewards to our Group's employees.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, our Group did not hold any significant investments during the three years ended 31 March 2019 and the six months ended 30 September 2019.

Our Directors also confirm that as at the Latest Practicable Date, there was no future investment plan formulated.

MAJOR RISKS AND UNCERTAINTIES

Our Directors believe that the risk management practices are important and endeavour with their best effort to ensure it is sufficient to mitigate the risks present in our Group's operations and financial position as efficiently and effectively as possible. Set forth below are the major risks and uncertainties faced by our Group's business:

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

As at the Latest Practicable Date, we have been focusing on distributing IT Security Products of 24 international vendors. Our master agreements with our vendors typically range from at least one year and will be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement. There is no assurance that these vendors will not collaborate with other distributors, enter into exclusive agreement with another distributor, conduct acquisition or merger activities which may lead to a change of focus of the vendors' product line or these agreements will be terminated or not renewed, extended upon expiry or continued without interruption. If the relevant distributorships are terminated, not renewed or extended or are subsequently interrupted, and we fail to identify suitable alternative sources in time or at all, our business, results of operations and profitability may be adversely affected.

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

We source from our vendors a variety of hardware and software as part of the IT Security Products offered to our customers, which accounted for approximately 62.0%, 65.6%, 64.1% and 56.4% of our cost of sales for each of the three years ended 31 March 2019 and the six months ended 30 September 2019, respectively. Although our vendors generally warrant that the product will perform in accordance with its product specifications for a certain period upon delivery, such IT Security Products may have coding, design or manufacturing defects or errors that may impair our customers' operation or cause malfunctions. There may also be compatibility issues between the hardware and software we source from our vendors and our customers' existing IT environment. There is no assurance that we would be able to detect and resolve these defects and errors in a timely manner or at all, and our business and reputation may be adversely affected.

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

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

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

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

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

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

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

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

Our sales are generally made on credit and we generally grant a credit period of 30 to 60 days to our customers upon issuance of our invoices. As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 September 2019, we recorded gross trade receivables of approximately HK\$61.1 million, HK\$78.5 million, HK\$93.2 million and HK\$125.1 million, of which approximately HK\$16.1 million, HK\$24.8 million, HK\$30.2 million and HK\$61.4 million of our trade receivables were past due but not impaired, respectively. For each of the three years ended 31 March 2019 and the six months ended 30 September 2019, our average trade receivables turnover days were approximately 81 days, 84 days, 85 days and 103 days, respectively. For further details, please refer to the paragraph headed "Summary of our Group's financial performance – Trade and other receivables, prepayments and deposits" in this announcement. On the other hand, our vendors generally grant us a credit period of 30 days to 60 days upon issuance of invoices. As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 September 2019, our trade payables were approximately HK\$28.0 million, HK\$33.7 million, HK\$32.9 million and HK\$52.3 million, with our average trade payables turnover days was approximately 61 days, 52 days, 45 days and 56 days for each of the three years ended 31 March 2019 and the six months ended 30 September 2019, respectively.

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

There may be uncertainties on obtaining necessary licences, approvals and permits for our operations

We may experience difficulties or failures in obtaining the necessary licences, approvals and permits, in particular the relevant licences that may be required under the Cybersecurity Act 2018 which may affect our Green Radar business operations in Singapore. As set out in the paragraph headed “Major qualifications and licences”, the Cyber Security Agency in Singapore has yet to communicate when implementation of the licensing framework under the CSA can be expected. In this regard, there is no assurance that we would be able to comply with the new licensing requirements in a timely manner or at all due to factors beyond our control. Given that there are uncertainties involved in obtaining the necessary licences and permits necessary for our operations, our existing business could be interrupted and our planned new business operations and/or expansion may be delayed.

Compliance by our Group with any such new government legislation, regulation or policies may also increase our costs and any significant increase in compliance costs arising from such new government legislation, regulations or policies may adversely affect our results of operations. We may also be subject to fines and penalties.

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

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

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

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

For each of the three years ended 31 March 2019 and the six months ended 30 September 2019, our revenue was approximately HK\$222.1 million, HK\$302.3 million, HK\$369.4 million and HK\$193.0 million, respectively, with net loss of approximately HK\$2.3 million, net profit of approximately HK\$18.2 million, HK\$26.2 million and HK\$10.4 million for the respective periods. For the same periods, our gross profit was approximately HK\$61.5 million, HK\$84.8 million, HK\$98.5 million and HK\$53.5 million, respectively, with our overall gross profit margin was approximately 27.7%, 28.0%, 26.7% and 27.7%, respectively. For details, please refer to the paragraph headed "Summary of our Group's financial performance – Gross Profit and Gross Profit Margin" in this announcement.

We may not be able to sustain our historical growth rate, revenue and profit margin for the three years ended 31 March 2019 and the six months ended 30 September 2019 for various reasons, including but not limited to, intensification of competition among IT Security Solutions distributors, fluctuations on the costs of hardware and/or software components and other unforeseen factors such as reduced number of customers and/or reduced profit margin of the IT Security Products and/or IT Security Services. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We recorded net current liabilities as at 31 March 2017

We recorded net current liabilities of HK\$4.7 million as at 31 March 2017 which was primarily attributable to accrued listing related expenses of approximately HK\$9.0 million in relation to the GEM Listing. A net current liabilities position may expose us to liquidity risks. We cannot assure you that we will not record net current liabilities in the future. In the event that we incur net current liabilities in the future, we may not be able to meet our outstanding payment obligations, which may materially and adversely affect our results of operations and financial position.

Currency fluctuation may adversely affect our revenues and costs

We are exposed to currency risk as we have operations in multiple jurisdictions using different currencies, as our purchases are mainly transacted in US\$ and our sales are mainly transacted in HK\$. Our Group recorded net foreign exchange gain of approximately HK\$389,000 and HK\$637,000 for the year ended 31 March 2017 and 2018 and net foreign exchange losses of approximately HK\$522,000 and HK\$351,000 for the year ended 31 March 2019 and the six months ended 30 September 2019, respectively. We also engage in investment activities, and as a result, devaluation of the US\$ against HK\$ may also cause us to incur losses under our foreign currency forward contract and reduce our profit margin and overall profitability. During the year ended 31 March 2017 and 2018, we recorded fair value gain of approximately HK\$265,000 and HK\$38,000. Modification of exchange rate policies in jurisdictions which we have operations in could also result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls, or the withholding of additional financial assistance by the banks and other financial institutions which may result in reduction of economic activities, economic recession, loan defaults and increase in the price of imports. Any occurrence of the foregoing events could materially and adversely affect our business, financial condition, results of operations and prospects.

Issue of new Shares under the Share Option Scheme or issue of additional Shares will have a dilution effect

Shareholders may experience dilution to the extent that the Shares are issued upon exercise of options pursuant to the Share Option Scheme.

We may need to raise additional funds in the future to finance expansions of our operations or new acquisitions. If additional funds are raised through issuance of new Shares or other securities that may be converted into the Shares other than on a pro rata basis to our existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilutions. Furthermore, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

BUSINESS OUTLOOK AND RECENT DEVELOPMENT

Based on our unaudited financial information, our Group's revenue and gross profit for the seven months ended 31 October 2019 continued to increase, as compared to the corresponding period in the prior year, which was primarily due to the increase in demand for our IT Securities Products and IT Securities Services from Hong Kong and Macau. Our gross profit margin for the seven months ended 31 October 2019 was comparable to that of the corresponding period in the prior year.

It is also expected that our profit for the year ending 31 March 2020 will decrease as compared to the year ended 31 March 2019 due to the non-recurring listing related expenses for the Transfer of Listing of approximately HK\$7.5 million to be incurred.

Our Group has entered into a distribution agreement with Indegy Ltd., an industrial cyber security company from Israel, on 4 July 2019. Our Group would distribute the industrial cyber security products and services from Indegy Ltd. in Hong Kong and Macau in accordance with the terms of the distribution agreement.

Our Directors confirm that subsequent to 30 September 2019 and up to the date of this announcement, there is no unfavourable trend or development which may have a material adverse impact on our Group's business and financial performance.

There has not been any material change since the GEM Listing Date to our Group's principal business of the distribution of IT Security Products and the provision of IT Security Services in Hong Kong, Macau, the PRC and Singapore. As far as Our Directors are aware, there had not been material changes in the overall regulatory, economic and market conditions in the IT Security Solution industries that would otherwise have materially and adversely affected our Group's business operation or financial conditions.

COMPLIANCE WITH LAWS AND REGULATIONS

Our Directors confirmed that our Group has obtained all licences, permits, approvals and certificates necessary to conduct its business operations during the three years ended 31 March 2019, the six months ended 30 September 2019 and up to the date of this announcement. During the three years ended 31 March 2019, the six months ended 30 September 2019 and up to the date of this announcement, our Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on its business or financial condition taken as a whole.

During the three years ended 31 March 2019 and the six months ended 30 September 2019 up to the Latest Practicable Date, no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

WORKING CAPITAL

Our Directors are of the opinion that, and the Sponsor concurs, after taking into account our Group's cash generating capabilities, internal resources and existing facilities available to our Group, our Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this announcement.

NO MATERIAL ADVERSE CHANGE

Our Company expects to incur approximately HK\$7.5 million non-recurring listing related expenses for the Transfer of Listing for the year ending 31 March 2020. Save for the aforesaid non-recurring listing expenses to be incurred, our Directors confirm that subsequent to the three years ended 31 March 2019 and the six months ended 30 September 2019 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of our Group and there have been no trends or developments which may have a material adverse impact on our Group's business operations or financial performance.

SHAREHOLDING CHANGES

There has been no change to our Group's Controlling Shareholders from the GEM Listing Date up to the date of this announcement. As at the date of this announcement, so far as our Directors are aware, each of the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares⁽¹⁾	Approximate percentage of total issued Shares
Success Vision	Beneficial owner	570,000,000 (L)	56.92%
Mr. Raymond Liu	Interest of a controlled corporation ⁽³⁾	570,000,000 (L)	56.92%
Ms. Cheng Chui Ying	Interest of spouse ⁽⁴⁾	570,000,000 (L)	56.92%
Mr. Ashley Lo	Interest of a controlled corporation ⁽³⁾	570,000,000 (L)	56.92%
Ms. Lin Fai	Interest of spouse ⁽⁵⁾	570,000,000 (L)	56.92%
Earning Gear	Beneficial owner	75,000,000 (L)	7.49%
Dr. Kenny Tang	Interest of a controlled corporation ⁽⁶⁾	75,000,000 (L)	7.49%
Ms. Yip Lai Ching	Interest of spouse ⁽⁷⁾	75,000,000 (L)	7.49%
Mind Bright	Beneficial owner	60,000,000 (L)	5.99%
Mr. Von John	Interest of a controlled corporation ⁽⁸⁾	60,000,000 (L)	5.99%
Ms. Cheung Mo Chi	Interest of spouse ⁽⁹⁾	60,000,000 (L)	5.99%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) The calculation is based on the total number of 1,001,446,000 Shares in issue at as the Latest Practicable Date.
- (3) As at the Latest Practicable Date, Success Vision is beneficially owned as to 59.21% by Mr. Raymond Liu and 40.79% by Mr. Ashley Lo. Each of Mr. Raymond Liu and Mr. Ashley Lo is deemed to be interested in the 570,000,000 Shares that held by Success Vision under the SFO.
- (4) Ms. Cheng Chui Ying is the spouse of Mr. Raymond Liu and is therefore deemed to be interested in the Shares in which Mr. Raymond Liu is interested in under the SFO.
- (5) Ms. Lin Fai is the spouse of Mr. Ashley Lo and is therefore deemed to be interested in the Shares in which Mr. Ashley Lo is interested in under the SFO.
- (6) As at the Latest Practicable Date, Earning Gear is wholly-owned by Dr. Kenny Tang and Dr. Kenny Tang is therefore deemed to be interested in the 75,000,000 Shares held by Earning Gear under the SFO.
- (7) Ms. Yip Lai Ching is the spouse of Dr. Kenny Tang and is therefore deemed to be interested in the Shares in which Dr. Kenny Tang is interested in under the SFO.
- (8) As at the Latest Practicable Date, Mind Bright is wholly owned by Mr. Von John and Mr. Von John is therefore deemed to be interested in the 60,000,000 Shares held by Mind Bright under the SFO.
- (9) Ms. Cheung Mo Chi is the spouse of Mr. Von John and is therefore deemed to be interested in the Shares in which Mr. Von John is interested in under the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or existed during the year ended 31 March 2019 and the six months ended 30 September 2019.

COMPETING BUSINESS

As at the date of this announcement, none of our Directors or Controlling Shareholders 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 our Group pursuant to Rules 8.10(1) and 8.10(2) of the Main Board Listing Rules.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Company discloses below the biographical information of each Director and members of senior management:

Directors

Executive Directors

Mr. Liu Yui Ting Raymond (廖銳霆) (formerly known as Liu Tam Fat (廖譚發), aged 51, was appointed as the chairman and re-designated as an executive Director on 21 November 2016. He is one of the founders of our Group and has been a director of certain subsidiaries of our Company. Mr. Liu is responsible for the overall business development, strategic planning and major decision-making of our Group. Mr. Liu is also a shareholder and director of Success Vision, the controlling shareholder of our Company, which is beneficially interested in approximately 56.92% of the total issued share capital of our Company.

Mr. Liu has over 28 years of experience in the IT industry. Mr. Liu was an analyst programmer of PowerGen Plc, a power generation company, from August 1991 to January 1994, and he was responsible for IT application development. Mr. Liu then worked at Hewlett-Packard Hong Kong Ltd (“**HP (Hong Kong)**”), from October 1994 to October 2000, and he last served as a consultant responsible for managing large scale IT bids and projects implementation. He was a vice president of e2 Tech Advisory Group Limited, a subsidiary of e2-Capital (Holdings) Limited (currently known as FDG Kinetic Limited) (stock code: 378) and principally engaged in financing, securities trading and asset investments, from October 2000 to March 2001, and was responsible for managing business and technology consulting projects. He was the vice president of Ebizal Consulting (Hong Kong) Limited from April 2001 to November 2001, and he was responsible for overseeing the business and technology consulting team.

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

Mr. Lee Francis Sung Kei (李崇基) (formerly known as Li Sung Kei), aged 42, was appointed as the chief executive officer and an executive Director on 21 November 2016. He joined our Group in May 2004 as an associate consultant and was promoted in as the director of the product strategy and management department of Edvance Technology (HK) Limited, a subsidiary of our Company, in November 2014. He is currently responsible for the overall business development, strategic planning and major decision-making of our Group.

Mr. Lee has over 18 years of experience in the IT industry. Mr. Lee was a web master of Phoenix Travel Group, a travel agency in London, from October 2000 to February 2003, and he was primarily responsible for the analysis, design and programming of web-based applications. Mr. Lee was a technical engineer of Accenture Technology Solutions Limited, which is principally engaged in the application development, administration and software maintenance, from February 2003 to March 2004, and he was responsible for development and consulting application.

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

Mr. Von John (黃繼明)(also known as Wong Kai Meng), aged 55, was appointed as an executive Director on 21 November 2016. He joined our Group in August 2015 initially as a support business director and was promoted as a business operations director in June 2016. He is responsible for the overall business operation of our Group. Mr. Von is also the sole shareholder and the sole director of Mind Bright Limited, a substantial shareholder of our Company, which is beneficially interested in approximately 6% of the total issued share capital of our Company.

Mr. Von has over 30 years of experience in business consulting industry. Mr. Von was a senior system developer of Vertex System Resources Limited, which is principally engaged in the provision of business process solutions for the oil and gas industry from May 1989 to September 1993, and he was responsible for the application development and project implementation. From June 1993 to December 1994, Mr. Von was a programmer analyst of Manalta Coal Ltd., which is principally engaged in coal production in Canada, and he was responsible for assisting in the development of computer applications. He was a consultant of HP (Hong Kong), from January 1995 to September 1997, and he was responsible for project implementation in ERP domain. He then joined Price Waterhouse Co., Ltd. as a senior consultant of the management consultancy services department from September 1997 to December 1998, and he was responsible for management consultancy services. He worked in IBM China/Hong Kong Limited from January 1999 to March 2001, and his last position was a consultant providing business innovation services function. He worked in Philips Electronics Hong Kong Limited from August 2002 to June 2012, and his last position was a director of supply chain modeling in consumer lifestyle. He was the director of service delivery management of VF Asia Limited from June 2012 to November 2013 and of VF Asia Pacific Sourcing S. à r. l. from November 2013 to February 2015, and he was responsible for service delivery management.

Mr. Von graduated from The University of Calgary in Canada with a bachelor of science degree in computer science in June 1989.

Mr. Lam Tak Ling (林德齡), aged 48, was appointed as an executive Director on 21 November 2016. He joined our Group in January 2011 and he is responsible for managing the overall development of enterprise solutions.

Mr. Lam has over 21 years of experience in the IT industry. He joined HP (Hong Kong) in September 1997 and subsequently Hewlett-Packard HKSAR Ltd., (“**HP (HKSAR)**”) and his last position prior to his departure in December 2010 was program manager.

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

Non-executive Directors

Dr. Tang Sing Hing Kenny (鄧聲興), aged 50, was appointed as a non-executive Director on 21 November 2016. Mr. Tang is also the sole shareholder and the sole director of Earning Gear Inc., a substantial shareholder of our Company, which is beneficially interested in approximately 7.5% of the total issued share capital of our Company.

Dr. Tang has over 25 years of experience in the financial and securities sector. From May 1993 to July 1993, he was an executive trainee of the Bank of East Asia Limited. He was a research manager of C.A. Pacific Group, from January 1994 to February 1998, and he was responsible for the daily operation of the research department. From February 1998 to October 2008, Dr. Tang was an associate director of Tung Tai Securities Co., Ltd. He worked in Redford Asset Management Limited from November 2008 to February 2011, and his last position was the head of research and executive director. He was a vice president of the securities and asset management department of AMTD Asset Management Ltd. from January 2011 to March 2015. From June 2015 to May 2018, he worked as an executive director of Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited) (stock code: 397) and principally engaged in financial services. Dr. Tang was the responsible officer of China Hong Kong Capital Asset Management Company Limited since April 2018 to February 2019. Dr. Tang is currently the Co Founder and Chief Executive of Royston Securities Limited since March 2019.

Dr. Tang has been an independent non-executive director of Hin Sang Group (International) Holding Co., Ltd. (stock code: 6893), a company listed on the main board of the Stock Exchange and principally engaged in sale and development of personal care products, since November 2010.

Dr. Tang obtained an associate degree of arts in general education from University of East Asia in Macau in July 1989, a bachelor of business degree in finance from Edith Cowan University in Australia in February 1993, and a doctorate degree in economics from Renmin University of China in June 2007.

Mr. Lo Wai Ho Ashley (羅偉浩), aged 54, was re-designated as a non-executive Director on 1 January 2018.

He is one of the founders of our Group and has been a technology director since August 2002. Mr. Lo has over 29 years of experience in the IT industry. Prior to joining to our Group, he was a software engineer of datap systems division of Sandwell Inc., whose principal business is the development of IT systems, from December 1989 to August 1992, and he was responsible for system development. Mr. Lo was a system engineer of epic data division of Sylogist Ltd., which is principally engaged in the development of IT systems, from September 1992 to October 1995, and he was responsible for system development. From 1999 to August 2002, Mr. Lo was a technology director of Edeas Limited, a digital agency based in Hong Kong.

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

Independent Non-executive Directors

Mr. Yu Kwok Chun Raymond (余國俊), aged 63, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our audit committee and nomination committee, and is the chairman of our remuneration committee. Mr. Yu has over 34 years of experience in IT industry. He worked at the Hongkong and Shanghai Banking Corporation Limited from January 1983 to December 1989 and he last served as project manager responsible for systems maintenance and implementation support. From January 1990 to 1992, Mr. Yu worked as the head of the information technology department of Standard Chartered Trust Group in the Hong Kong and Asia Pacific region and he was responsible for overseeing system development maintenance, support and operation activities. From 1992 to 1994, Mr. Yu worked as a program manager of Digital Equipment Corporation, which is principally engaged in the provision of implementation and supporting networked business solutions, and he was responsible for managing large systems integration projects. Mr. Yu was a senior consultant of IBM Hong Kong Limited from 1994 to 1995, and he was responsible for development of consulting services business in the banking sector in China. From May 1995 to August 2000, Mr. Yu was a managing consultant of HP (HKSAR) and was primarily responsible for managing consulting services businesses for the financial services industry. From 2000 to 2002, Mr. Yu was a chief information officer of Saggio Asia Pacific Limited, which is principally engaged in sale of office supplies and equipment, and he was responsible for implementation of an e-procurement system across the region. From March 2003 to October 2006, Mr. Yu was a senior managing consultant of HP (HKSAR), and he was primarily responsible for managing consulting services businesses for the financial services industry. From May 2007 to June 2012, Mr. Yu worked at the Hongkong and Shanghai Banking Corporation Limited and, he last served as a senior manager of the change delivery department and he was responsible for business process re-engineering and standardisation.

Mr. Yu graduated from McGill University in Canada with a bachelor's degree in commerce, majoring in management information systems in June 1982. Mr. Yu was the honorary secretary of the Hong Kong Computer Society from 2001 to 2007.

Mr. Ng Tsz Fung Jimmy (吳子豐), aged 57, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our nomination committee and remuneration committee, and is the chairman of our audit committee.

Mr. Ng has approximately 31 years of experience in finance and accounting. He worked as an auditor of Kennic L.H. Lui & Co., from August 1988 to January 1989. From January 1989 to March 1993, Mr. Ng worked as a senior manager of Lewis Luk & Co., which is a legal firm and he was primarily responsible for human resources, finance and administration. Mr. Ng was a chief finance officer of GEM Group Consultant Limited from May 1993 to April 1999, and he was responsible for accounting, company secretary, auditing, administration and human resources management. From May 1999 to April 2001, Mr. Ng was a general manager of Tianjin Viction (Group) Company (天津)維信集團有限公司), and Mr. Ng was responsible for human resources management and financial management, and the sales of the import and export businesses. From May 2001 to May 2002, Mr. Ng worked as a chief finance officer of GEM Group Consultant Limited, and he was responsible for providing advices on financial matters, company reorganisation, human resources management and corporate management. From March 2003 to April 2005, Mr. Ng worked as a vice president of G&A Manufacturing Company Limited, which is principally engaged in the garment industry, and he was responsible for the finance, human resources management and business operation. From May 2005 to December 2006, Mr. Ng worked at Goldsland Holdings Company Limited* (廣新控股有限公司) and his last position held was chief investment officer, and he was responsible for managing internal affairs of the company and all related issues including due diligence on potential investment prospects of our Company. From December 2006 to September 2014, Mr. Ng was the chief operating officer of GEM Group Consultant Limited. From September 2014 to January 2018, Mr. Ng was the general manager of the control management division of Bridgestone Aircraft Tire Co (Asia) Limited.

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

Mr. Chan Siu Ming Simon (陳兆銘), aged 51, was appointed as an independent non-executive Director on 23 March 2017. He is a member of our remuneration committee and audit committee, and is the chairman of our nomination committee.

Mr. Chan has over 17 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in November 2003. He joined Baker Mckenzie as a trainee solicitor in September 2001 and became an associate from September 2003 to January 2008. Mr. Chan joined Langham Hospitality Group as the vice president of the legal department in January 2008 and become the head of the legal department since 26 February 2019.

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

Saved as disclosed above and apart from the Company, each of our Directors has not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

Save as disclosed in this announcement, each of our Directors has confirmed that (i) he does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders; and (iii) there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules.

Save as disclosed above, none of our Directors has any interests in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Main Board Listing Rules.

Senior management

Mr. Tang Sui Cheong (鄧瑞昌), aged 50, joined our Group in January 2015. He is a technical services director and he is responsible for overseeing the overall technical services of our Group.

Mr. Tang has 27 years of experience in the IT industry. Mr. Tang worked in Hospitality Data Resources Ltd., from August 1991 to December 1995, and his last position was systems support manager responsible for testing, quality assurance programming enhancements, system installation and implementation. He was a technical manager of City Smart Limited, which is a system consultant and integrator, from July 1996 to March 1999, and he was primarily responsible for supervision of the implementation of smart card system. He was a development manager of Logistics Information Network Enterprise (HK) Limited, from January 2002 to December 2003. He was a contract project manager of InfoTech Services (Hong Kong) Ltd from February 2004 to November 2004, and he participated in projects at the Housing Department of the Hong Kong Government. He joined HP (Hong Kong) in October 2005 and subsequently HP (HKSAR) and his last position prior to his departure in December 2014 was customer project/program manager.

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

Ms. Law Wai Chi (羅偉慈), aged 39, joined our Group in December 2003. She is an internal control and compliance director and she is responsible for managing internal compliance matters of our Group.

Ms. Law has over 17 years of experience in information technology industry. She was a sales engineer of Flytech Technology (HK) Ltd., which is principally engaged in sale of point-of-sales system, from June 2002 to September 2003, and she was responsible for promotion and sales of information technology products and customer support.

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

Ms. Tsai Shuen Shuen (蔡旋旋), aged 43, joined our Group in September 2016. She is a managing director for Hong Kong and Macau. She manages the business development, product and channel strategic planning of Edvance Technology Hong Kong.

Ms. Tsai has over 16 years of experience in the IT industry. She worked in Riverbed Technology from January 2009 to June 2016, her last position was channel sales manager for Hong Kong, Macau and Taiwan. She was a product manager of ACW distribution (HK) Ltd from April 2007 to January 2009. Ms. Tsai joined Wafer Systems (Hong Kong) Ltd in October 2001 as a sales manager and became a regional sales manager from July 2003 to January 2005.

Ms. Tsai obtained an honor diploma in business administration from Hong Kong Shue Yan University in 1999.

Each of the senior management members of our Company has not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Ms. Wong Man Shan Joyce (王敏珊), aged 34, joined our Group in October 2016 and was appointed as our company secretary. Ms. Wong is primarily responsible for overseeing the company secretarial matters of our Group.

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

Ms. Wong graduated from Macquarie University in Australia with a bachelor of commerce degree in accounting in April 2006. She is a member of CPA (Practising) of the Hong Kong Institute of Certified Public Accountants since January 2018.

Our company secretary has not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

INVESTMENT COMMITTEE

Our Company has established an investment committee (the “**Investment Committee**”) with written terms of reference on 17 July 2018. Details of which are set out below:

Roles and responsibilities of the Investment Committee

The Investment Committee is responsible for reviewing and evaluating any potential investment, making recommendations to the Board in respect of any investment project that may be beneficial for the long-term development of the Group and reviewing feasibility reports or proposal of any investment project, with effect from 17 July 2018.

Summary of investment policy

The Investment Committee shall have the power to decide its working procedures, to form investment working team(s) to study investment projects proposed and to delegate its duties to the investment working team(s) as it deems fit. Proposals of the Investment Committee shall be submitted to the Board for consideration and approval. Members of the Investment Committee would at least hold one meeting each year.

Investment plan

Our Directors confirm that as at the Latest Practicable Date, there was no future investment plan formulated.

BOARD DIVERSITY POLICY

Our Company recognises and embraces the benefits of diversity of Board members. Our Company endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of our Company’s business. Our Company also recognises the importance of gender diversity. The Board currently comprises nine male Directors. The Board will use its best efforts to identify and appoint suitable female candidate(s) as well as engage more resources in training female staff in the Group with an aim to promoting them to senior position in the Group. Our Company has adopted a set of revised board diversity policy (the “**Board Diversity Policy**”) on 9 January 2019 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Details of the Board Diversity Policy are set out below:

Summary of the Board Diversity Policy

In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

For the purpose of implementation of the Board Diversity Policy, the Company aims to enhance gender diversity of the Board by appointing one female Director by 31 March 2020. Furthermore, our board diversity policy provides that our Board shall take opportunities to balance our Board members' gender diversity over time when selecting and making recommendations on suitable candidates for Board appointments, with the ultimate goal of bringing our Board to gender parity. To develop a pipeline of potential female successors to our Board, we will take necessary steps to identify and maintain a list of women candidates with a diverse range of skills, experience and knowledge in different fields by emphasising on training and providing career opportunities for our senior female employees who have long and relevant experience with our business, so as to equip them with the capability to lead our Group. The list of female candidates will be reviewed by the nomination committee of our Company (the "**Nomination Committee**") on a half-yearly basis.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Members of the Nomination Committee would meet at least once a year where appointment of the Directors will be considered.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of our Company at www.edvancesecurity.com and of the Stock Exchange at www.hkexnews.hk:

- i. the memorandum of association and the articles of association of our Company;
- ii. our Directors' report and annual report of our Company for the year ended 31 March 2019;
- iii. the first quarterly report of our Company for the three months ended 30 June 2019;
- iv. the interim report of our Company for the six months ended 30 September 2019;
- v. a copy of each of the circulars to the Shareholders issued by our Company in the immediately preceding full financial year and up to the date of this announcement; and
- vi. a copy of each of the announcements and other corporate communications made by our Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CHF”	Swiss franc, the lawful currency of Switzerland
“close associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules

“Company”	Edvance International Holdings Limited (安領國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, and the Shares of which are currently listed on GEM
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Main Board Listing Rules and in the context of our Company and for the purpose of this announcement, refers to Success Vision, Mr. Raymond Liu and Mr. Ashley Lo, who together control the exercise of 30% or more of the voting rights at general meeting of our Company
“Director(s)”	the director(s) of our Company
“Dr. Kenny Tang”	Dr. Tang Sing Hing Kenny (鄧聲興), our non-executive Director
“Earning Gear”	Earning Gear Inc., a company incorporated in the British Virgin Islands with limited liability on 3 May 2016 and wholly-owned by Dr. Kenny Tang
“ERP System”	enterprise resource planning system
“Frost & Sullivan”	Frost & Sullivan Limited, an Independent Third Party, being an independent market research company to prepare the Frost & Sullivan Report
“Frost & Sullivan Report”	an independent market research report prepared by Frost & Sullivan on the IT Security Solutions industry in Hong Kong, the PRC, Singapore and Macau
“GEM”	GEM of the Stock Exchange
“GEM Listing”	the listing of our Shares on GEM on the GEM Listing Date
“GEM Listing Date”	19 April 2017, on which dealings in the Shares first commenced on GEM

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“Group”	our Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards
“Independent Third Party(ies)”	party(ies) which is/are independent of our Group and the connected persons of our Company
“IoT”	internet of things
“IT”	information technology
“IT Security Products”	hardware or software manufactured or developed for the protection of computer systems from theft or damage to the hardware, software or the information therein, as well as from disruption or misdirection of the services they provide. In the context of our Group, “IT Security Products” include (i) network security products; (ii) system security products; and (iii) application and data security products
“IT Security Services”	the support and consulting services for the purpose of IT system protection. In the context of our Group, “IT Security Services” include (i) technical implementation services; (ii) maintenance and support services; (iii) consulting services; and (iv) cloud based “security-as-a-service”

“IT Security Solutions”	being a sub-set of IT Solutions, refers to the integrated and customised solutions of IT Security Products and IT Security Services for satisfying the IT Security needs of customers. In the context of our Group, Frost & Sullivan confirmed that the definition of “IT Security Solutions” is consistent with the industry norm
“IT Solutions”	the application of the combination of electronic equipment and corresponding value-added services, such as data storage, transmission, retrieval, manipulation, etc, for satisfying the IT needs of customers
“JPY”	Japanese yen, the lawful currency of Japan
“Latest Practicable Date”	6 December 2019, being the latest practicable date prior to the date of this announcement for the purpose of ascertaining certain information contained in this announcement
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for the avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Mind Bright”	Mind Bright Limited, a company incorporated in the British Virgin Islands with limited liability on 2 March 2016 and wholly-owned by Mr. Von John
“Mongolia”	Mongolian People’s Republic
“Mr. Raymond Liu”	Mr. Liu Yui Ting Raymond (廖銳霆)(formerly known as Liu Tam Fat (廖譚發), our Chairman, executive Director and one of our Controlling Shareholders

“Mr. Ashley Lo”	Mr. Lo Wai Ho Ashley (羅偉浩), our non-executive Director and one of our Controlling Shareholders
“PRC”	the People’s Republic of China for the purpose of this announcement, exclude Hong Kong, Macau & Taiwan
“Prospectus”	the prospectus of our Company dated 31 March 2017
“Service Hub”	the service hub established by our Group in Singapore in November 2018 with the intention to expand our existing operation in Singapore to serve Singapore and its neighbouring countries as a detection and response center
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“S\$”	Singapore dollar, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 March 2017
“Shareholder(s)”	holder(s) of the issued Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Vision”	Success Vision International Group Limited (成策國際集團有限公司), a company incorporated in the British Virgin Islands with limited liability on 3 May 2016, and beneficially and legally owned by Mr. Raymond Liu as to 59.21% and Mr. Ashley Lo as to 40.79% as at the date of this announcement, and one of our Controlling Shareholders

“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board
“USD” or “US\$”	U.S. dollar(s), the lawful currency of the United States of America
“%”	per cent

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

By order of the Board
Edvance International Holdings Limited
Liu Yui Ting Raymond
Chairman and Executive Director

Hong Kong, 16 December 2019

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

This announcement, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the website of our Company at www.edvancesecurity.com.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.