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EDVANCE INTERNATIONAL HOLDINGS LIMITED

安領國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1410)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

Edvance International Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) recorded a revenue and gross profit of approximately HK\$577.5 million and approximately HK\$137.3 million respectively for year ended 31 March 2023 (“**FY2023**”), representing an increase of approximately 9.9% and approximately 6.9% respectively, when compared with the revenue and gross profit of approximately HK\$525.4 million and approximately HK\$128.4 million respectively for the year ended 31 March 2022 (“**FY2022**”).

The Company recorded net loss after tax attributable to owners of the Company for FY2023 of approximately HK\$27.5 million (FY2022: net profit after tax attributable to owners of the Company (“**Net Profit**”) of approximately HK\$22.8 million).

For illustration purpose, after excluding (i) the impact of the fair value changes on financial assets at fair value through profit or loss and (ii) one-off impacts of impairment of intangible assets, and property and equipment, and net gain on disposal of property and equipment in both of FY2023 and FY2022, the Group recorded an adjusted Net Profit of approximately HK\$4.7 million for FY2023, representing a slightly decrease of approximately HK\$0.9 million or approximately 15.7% as compared to the adjusted Net Profit of approximately HK\$5.6 million for FY2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) is pleased to present the audited consolidated results of Edvance International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**our**”) for the year ended 31 March 2023 (“**FY2023**”), together with the comparative audited figures for the preceding financial year ended 31 March 2022 (“**FY2022**”), as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For FY2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3	577,494	525,383
Cost of sales or services		(440,190)	(396,976)
Gross profit		137,304	128,407
Other income		1,042	1,010
Other gains and losses, net	5	(32,868)	17,833
Distribution and selling expenses		(36,133)	(39,040)
Administrative and other expenses		(90,199)	(81,924)
Net impairment losses under expected credit loss model		(300)	(185)
Finance costs		(3,354)	(1,965)
(Loss) profit before taxation		(24,508)	24,136
Taxation	6	(4,623)	(3,074)
(Loss) profit for the year	7	(29,131)	21,062
Other comprehensive income (expense) for the year:			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of intangible assets		312	629
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		270	(328)
Total comprehensive (expense) income for the year		(28,549)	21,363
(Loss) profit for the year attributable to:			
Owners of the Company		(27,478)	22,789
Non-controlling interests		(1,653)	(1,727)
		(29,131)	21,062
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(26,896)	23,090
Non-controlling interests		(1,653)	(1,727)
		(28,549)	21,363
(Loss) earnings per share (HK cents)	8		
– basic and diluted		(2.72)	2.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property and equipment		112,102	86,152
Goodwill		3,216	3,216
Intangible assets		37,736	40,264
Financial assets at fair value through profit or loss (“FVTPL”)	9	13,073	37,854
Deferred tax assets		4,783	4,231
Prepayments and deposits	10	103,738	89,580
		274,648	261,297
Current assets			
Inventories		18,365	13,830
Loan receivable		4,351	4,666
Trade and other receivables, prepayments and deposits	10	274,486	200,008
Tax recoverable		–	18
Contract assets		8,186	6,992
Financial assets at FVTPL	9	1,504	4,406
Cash and cash equivalents		67,190	49,126
		374,082	279,046
Current liabilities			
Trade and other payables and accruals	11	99,741	70,717
Lease liabilities		11,327	6,855
Contract liabilities		176,217	134,208
Bank borrowings		54,244	37,021
Tax liabilities		7,779	1,854
		349,308	250,655
Net current assets		24,774	28,391
Total assets less current liabilities		299,422	289,688

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		33,572	8,843
Contract liabilities		104,718	90,835
Bank borrowings		17,974	18,756
Deferred tax liabilities		5,914	6,643
		<u>162,178</u>	<u>125,077</u>
Net assets		<u>137,244</u>	<u>164,611</u>
Capital and reserves			
Share capital	12	10,117	10,117
Reserves		123,789	149,903
		<u>133,906</u>	<u>160,020</u>
Equity attributable to owners of the Company		133,906	160,020
Non-controlling interests		3,338	4,591
		<u>137,244</u>	<u>164,611</u>
Total equity		<u>137,244</u>	<u>164,611</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For FY2023

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its immediate controlling shareholder is Success Vision International Group Limited, which was incorporated in the British Virgin Islands.

The address of the registered office and principal place of business of the Company are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 25th Floor, Tower 1, The Millennity, 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE “COMMITTEE”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

In addition, the Group applied the agenda decisions of the Committee of the International Accounting Standards Board, which are relevant to the Group.

The application of the amendments to HKFRSs and the Committee’s agenda decisions in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group’s annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$41,647,000 and HK\$44,899,000, respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of HK\$6,872,000 and HK\$7,408,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated profits (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discounts and sales related taxes for the year.

Revenue from goods and services

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Types of goods or services:		
Cybersecurity products business*		
– procurement of network security products, system security products and application and data security products	<u>328,214</u>	<u>295,207</u>
Cybersecurity services business*		
– provision of technical implementation services	30,744	39,320
– provision of maintenance and support services	<u>218,536</u>	<u>190,766</u>
	<u>249,280</u>	<u>230,086</u>
Digital assets financial services and investment business*		
– provision of financial services	<u>–</u>	<u>90</u>
	<u>577,494</u>	<u>525,383</u>

* The segment names are defined in the section “Segment information” in note 4.

4. SEGMENT INFORMATION

Segment revenue and results

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

The Group's reportable and operating segments are therefore as follows:

- (1) Cybersecurity products business refers to the procurement of network security products, system security products and application and data security products by the Group;
- (2) Cybersecurity services business refers to the provision of technical implementation and maintenance and support services to customers by the Group; and
- (3) Digital assets financial services and investment business refers to the provision of digital assets financial services to customers, venture investment and securities trading by the Group.

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

	Cybersecurity products business HK\$'000	Cybersecurity services business HK\$'000	Digital assets financial services and investment business HK\$'000	Total HK\$'000
For the year ended 31 March 2023				
Segment revenue	<u>328,214</u>	<u>249,280</u>	<u>–</u>	<u>577,494</u>
Segment results	<u>50,976</u>	<u>86,128</u>	<u>(40,650)</u>	<u>96,454</u>
Other income				1,042
Unallocated other gains and losses, net				(445)
Unallocated distribution and selling expenses				(35,742)
Unallocated administrative and other expenses				(82,363)
Impairment losses recognised on loan receivable				(100)
Finance costs				<u>(3,354)</u>
Loss before taxation				<u>(24,508)</u>
	Cybersecurity products business HK\$'000	Cybersecurity services business HK\$'000	Digital assets financial services and investment business HK\$'000	Total HK\$'000
For the year ended 31 March 2022				
Segment revenue	<u>295,207</u>	<u>230,086</u>	<u>90</u>	<u>525,383</u>
Segment results	<u>55,815</u>	<u>72,057</u>	<u>3,476</u>	131,348
Other income				1,010
Unallocated other gains and losses, net				3,201
Unallocated distribution and selling expenses				(37,409)
Unallocated administrative and other expenses				(71,924)
Impairment losses recognised on loan receivable				(125)
Finance costs				<u>(1,965)</u>
Profit before taxation				<u>24,136</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of other income, certain other gains and losses, net, certain distribution and selling expenses, certain administrative and other expenses, impairment losses recognised on loan receivable, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net foreign exchange (loss) gain	(445)	623
Net gain on disposal of property and equipment	–	2,578
(Loss) gain on fair value changes of financial assets at FVTPL	(29,523)	14,632
Revaluation loss on intangible assets	(240)	–
Impairment loss on intangible assets	(1,920)	–
Impairment loss on property and equipment	(740)	–
	<u>(32,868)</u>	<u>17,833</u>

6. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	5,930	6,699
PRC Enterprise Income Tax (“EIT”)	–	167
	<u>5,930</u>	<u>6,866</u>
Overprovision in respect of prior year:		
Hong Kong Profits Tax	(26)	(207)
Deferred tax credit	(1,281)	(3,585)
	<u>4,623</u>	<u>3,074</u>

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 March 2023 and 2022.

The Singapore Income Tax is determined by applying the Singapore tax rate of 17%. No provision of Singapore Income Tax was made as the subsidiaries in Singapore have incurred tax losses for both years.

No provision of Macau Complementary Tax was made for the year ended 31 March 2023 and 2022 as the subsidiary in Macau has incurred tax losses.

7. (LOSS) PROFIT FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs*:		
Directors' remuneration	12,420	13,380
Other staff:		
Other staff costs	76,806	75,802
Equity-settled share-based expense	309	4,850
Contributions to retirement benefits schemes	3,684	3,772
	<u>93,219</u>	<u>97,804</u>
Auditor's remuneration		
– Audit services	1,825	1,678
– Non-audit services	140	825
	<u>1,965</u>	<u>2,503</u>
Cost of inventories recognised as an expense (including the allowance for inventories of approximately HK\$1,515,000 (2022: HK\$1,794,000))	<u>274,416</u>	<u>239,345</u>
Depreciation of right-of-use assets	9,326	7,823
Depreciation of other property and equipment	7,607	7,220
Depreciation of property and equipment	<u>16,933</u>	<u>15,043</u>
Amortisation of intangible assets	<u>2,618</u>	<u>385</u>
Net impairment losses on trade receivables	204	47
Net (reversal of impairment losses) impairment losses on contract assets	(4)	13
Impairment losses on loan receivable	100	125
Net impairment losses under expected credit loss model	<u>300</u>	<u>185</u>

* For the year ended 31 March 2023, COVID-19 related government grants/assistance amounted to approximately HK\$3,145,000 have been offset against other staff costs.

8. (LOSS) EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	<u>(27,478)</u>	<u>22,789</u>
	2023 <i>Number of shares '000</i>	2022 <i>Number of shares '000</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<u>1,011,727</u>	<u>1,005,985</u>

The computation of diluted loss per share does not assume the exercise of Company's share options since their assumed exercise would result in a decrease in loss per share for the year ended 31 March 2023.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price of the Company's shares for the year ended 31 March 2022.

9. FINANCIAL ASSETS AT FVTPL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed equity investments in Hong Kong and the United States	–	263
Unlisted fund investment	1,504	4,143
Unlisted preference shares of Tykhe Capital Group Limited (“Tykhe”)	<u>13,073</u>	<u>37,854</u>
	<u>14,577</u>	<u>42,260</u>
Analysed for reporting purposes as:		
Non-current assets	13,073	37,854
Current assets	<u>1,504</u>	<u>4,406</u>
	<u>14,577</u>	<u>42,260</u>

As at 31 March 2023 and 2022, the Group has invested in an unlisted fund investment. Such investment is classified as financial assets at FVTPL. The fair value is measured at level 2 based on the fair value of the underlying assets and liabilities of the fund. The major assets of the fund are digital assets which the fair value is measured based on the quoted bid prices in an active market.

As at 31 March 2023 and 2022, the Group has unlisted preference shares investment amounting to United States Dollar (“USD”) 3 million of share capital of series A2 preference shares of Tykhe. The fair value is measured at level 3 based on equity value based on backsolve method with reference to recent market transaction price allocated to series A2 preference shares with weighted probability rate of 50% and 50%, respectively under liquidation scenario and qualified IPO scenario. The investment is classified as financial assets at FVTPL. During the year ended 31 March 2023, fair value loss of approximately HK\$24,781,000 (2022: fair value gain of approximately HK\$14,590,000) has been recognised for the investment in Tykhe.

As at 31 March 2022, the Group has invested in several listed equity investments in Hong Kong and the United States. Such investments are classified as financial assets at FVTPL. The fair value is measured at level 1 which is based on quoted bid prices in an active market.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current		
Trade receivables	139,802	99,363
Less: allowance for credit losses	<u>(1,051)</u>	<u>(847)</u>
	138,751	98,516
Prepayment to suppliers for maintenance and support services	130,506	94,001
Receivables with broker's house and custodian	159	1,312
Other tax receivables	630	526
Prepayment and others	<u>4,440</u>	<u>5,653</u>
	<u>274,486</u>	<u>200,008</u>
Non-current		
Rental deposits	3,920	4,402
Deposits paid for acquisition of property and equipment	3,000	–
Deposits and prepayment for life insurance contracts	14,498	14,208
Prepayment to suppliers for maintenance and support services	<u>82,320</u>	<u>70,970</u>
	<u>103,738</u>	<u>89,580</u>
Total trade and other receivables, prepayments and deposits	<u><u>378,224</u></u>	<u><u>289,588</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	96,624	59,482
31 to 60 days	28,904	26,742
61 to 90 days	4,867	7,929
91 to 120 days	3,999	3,354
121 to 365 days	<u>4,357</u>	<u>1,009</u>
	<u><u>138,751</u></u>	<u><u>98,516</u></u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	82,990	53,077
Accrued expense	6,217	7,198
Accrued staff costs	9,343	8,575
Others	1,191	1,867
	<u>99,741</u>	<u>70,717</u>

The credit period ranges from 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	82,791	52,880
31 to 60 days	–	–
61 to 90 days	–	197
91 to 120 days	199	–
	<u>82,990</u>	<u>53,077</u>

12. SHARE CAPITAL

Details of the shares of the Company are as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2021	1,004,946,000	10,049
Issue of shares upon exercise of share options (<i>note (i)</i>)	1,900,000	19
Issue of shares under share award scheme (<i>note (ii)</i>)	4,820,000	49
At 31 March 2022	1,011,666,000	10,117
Issue of shares upon exercise of share options (<i>note (iii)</i>)	72,000	–*
At 31 March 2023	1,011,738,000	10,117

* Amount less than HK\$1,000.

Notes:

- (i) During the year ended 31 March 2022, a total of 1,900,000 new ordinary shares of HK\$0.01 each were issued upon exercise of the share options of the Company.
- (ii) On 31 March 2022, 4,820,000 new ordinary shares of the Company were issued to three professional advisers and one employee under share award scheme at no consideration. The aggregate value of the share awards was approximately HK\$3,471,000 based on the closing share price of the Company as at 16 February 2022 of HK\$0.72 each. The par value of the respective shares was approximately HK\$49,000. The difference of approximately HK\$3,422,000 between the aggregate share awards value and the aggregate par value of the shares have been credited to share premium.
- (iii) During the year ended 31 March 2023, a total of 72,000 new ordinary shares of HK\$0.01 each were issued upon exercise of the share options of the Company.

All issued shares of the Company rank pari passu in all respects with each other.

13. DIVIDENDS

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

A final dividend of HK\$0.01 per share with aggregate amount of approximately HK\$10,049,000 of the Company in respect of the year ended 31 March 2021 has been declared and paid by the Company during the year ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business overview

The Group demonstrated our execution ability and agility to overcome challenges for the financial year ended 31 March 2023 (“FY2023”). The digital transformations happening in commerce and the emergence of game-changing technologies in artificial intelligence and web3 require the Group to be leaders in sectors that we operate in today whilst taking measures to ensure our success continues in the future. The Group achieved record-high revenue of approximately HK\$577.5 million in the fiscal year due to strong demand in the cybersecurity product and services business, and despite a challenging year for our digital assets services and investment business, the Group is confident in our strategy and is optimistic about the business outlook.

Cybersecurity Products and Services

In FY2023, we saw robust demand in the Hong Kong market and recorded a revenue growth of approximately 9.9%. This growth was attributed to the demand across different client sectors especially in financial services industry (FSI) and government, and the high stickiness of our services from our customer base. The growth was particularly impressive as the business maintained a gross profit margin of around 23.8% despite the challenging macro-economic environment in the past year.

The cybersecurity market is evolving rapidly and it is our key commitment to provide relevant products and services that fit the client’s changing needs. The Group expanded its product offerings to more Chinese branded products such as Tianji Partners (天際友盟), Sangfor (深信服) and Venustech (啟明星辰) as we observed certain client segments have increased preference for mainland cybersecurity products due to their localised features and pricing. At the same time, the increased adoption of cloud based security solutions has become a key driver of our cybersecurity business. In particular, it has helped the shift of our cybersecurity services business to a recurring revenue model and to reflect our expertise and know-how in project implement and servicing.

We also saw strong demand in the Green Radar business, which delivered encouraging year-on-year revenue growth. Our established channel partner network in Hong Kong has helped to shorten the sales cycle and made it easier for our clients to adopt grMail, the flagship product in the Green Radar suite of solutions. Enterprises were also very receptive to our newly launched cybersecurity awareness assessment and training service, grAssessment, which has already become a significant revenue contributor to the Green Radar business.

Digital Assets Financial Services and Investment

The digital asset market went through a tumultuous time in FY2023. The sharp cyclical decline of the cryptocurrency market from its all time highs in early 2023 exposed the malpractices of several operators globally in the industry. Our commitment towards operating within the licensed and regulated digital assets business was unwavering. With the roll out of the Virtual Asset Service Provider licensing regime by the government and regulators in Hong Kong, we believe licensed players would benefit significantly from increased investor confidence and market interests in digital assets. Our non-wholly owned subsidiary, Axion Global Asset Management Limited (“AGAM”), a licensed digital asset management company, is developing our portfolio management systems and establishing distribution partnerships to help investors to access this emerging asset class. We foresee a robust industry recovery and a strong rebound in investment sentiment heading into the new fiscal year.

While the revenue robust industry performance of the Group was strong in FY2023, the Group’s results recorded as loss as a result of the fair value loss on financial assets at fair value through profit and loss (“FVTPL”) of approximately HK\$29.5 million, which were mainly due to fair value loss on the unlisted investment of the holding company of Hong Kong Digital Asset Ex Limited (“HKbitEX”). The Group remains optimistic about the future potential of its investments and will make decisions on investment holdings that are both strategic in nature and are in the long term best interest of the Group and our shareholders.

OUTLOOK

The macroeconomic environment is likely to continue to be challenging and dynamic in the year ending 31 March 2024. Demand for cybersecurity should be strong as guarding against cyber threats remain mission critical and top of mind for enterprises. The Group’s strategy of providing the most relevant and best-in-class cybersecurity products and focusing on delivering cybersecurity protection via a service and recurring revenue model will continue to resonate with our customers. The Group will continue to strengthen service level and ensure customers are able to adopt cybersecurity product in the most efficient and effective manner, while actively optimising our product range to cope with the changing demands in the market.

Green Radar brand of products will play an increasingly important role in the execution the Group strategy. Beyond the success of our email protection products, the Group will look to launch new solution offerings under the brand to address large addressable markets that are accessible and cost-effective for our target customers to adopt. In addition, the Group will actively pursue geographical expansion of sales and distribution in other South East Asia markets.

On the digital asset front, the Group believes the Hong Kong government’s push for the territory to become a global digital asset hub will create favourable conditions for market participants to operate and attract investments from all parts of the world. This will undoubtedly benefit AGAM and our investments that we have made in the digital asset industry.

The Group would like to express our sincere gratitude to our employees, customers, and shareholders for their unwavering support. As we look to the future, we are excited about the opportunities that lie ahead and are confident in our ability to navigate the ever-evolving landscape.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$52.1 million, or approximately 9.9% from approximately HK\$525.4 million for the year ended 31 March 2022 (“FY2022”) to approximately HK\$577.5 million for FY2023. The increase was mainly attributable to the continuous strong demand for our core cybersecurity products and cybersecurity services related businesses.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.9 million, or approximately 6.9% from approximately HK\$128.4 million for FY2022 to approximately HK\$137.3 million for FY2023. Our gross profit margin decreased from approximately 24.4% for FY2022 to approximately 23.8% for FY2023 slightly. The increase in gross profit compared with FY2022 was due to the continuous growth of revenue from cybersecurity products and cybersecurity services businesses. The lowered gross profit margin compared with FY2022 was mainly due to the product mix in cybersecurity products segment which generated comparatively lower gross profit margin in FY2023.

Other income

Our other income mainly comprises bank interest income and interest income from rental deposits, loan receivable and deposits for life insurance contracts that we purchased for certain directors of the Company and senior management of the Group.

Other gains and losses, net

Other gains and losses, net for FY2023, mainly represented the fair value loss on financial assets at FVTPL of approximately HK\$29.5 million (FY2022: fair value gain on financial assets at FVTPL of approximately HK\$14.6 million). Such significant fair value loss on financial assets at FVTPL was mainly due to the fair value loss on the unlisted investment of the holding company of HKbitEX of approximately HK\$24.8 million (FY2022: fair value gain on this investment of approximately HK\$14.6 million) in FY2023.

Distribution and selling expenses

Our distribution and selling expenses decreased slightly by approximately HK\$2.9 million, or approximately 7.5% from approximately HK\$39.0 million for FY2022 to approximately HK\$36.1 million for FY2023. Such slight decrease was due to decrease in marketing staff costs in FY2023.

Administrative and other expenses

To cope with the continuous expansion of the Group and the demand for our cybersecurity products, the administrative and general operation expenses increased by approximately HK\$8.3 million, or approximately 10.1% from approximately HK\$81.9 million for FY2022 to approximately HK\$90.2 million for FY2023 mainly due to the combined effects of the increase in

(i) administrative staff costs by approximately HK\$6.6 million; (ii) research and development costs by approximately HK\$10.0 million for development of technology; (iii) general operating costs by approximately HK\$1.1 million; which was offset by the decrease in (iv) legal and professional fees by approximately HK\$4.9 million; and (v) equity-settled share-based expense by approximately HK\$4.5 million.

Finance costs

Our finance costs increased by approximately HK\$1.4 million, or approximately 70.7% from approximately HK\$2.0 million for FY2022 to approximately HK\$3.4 million for FY2023, such increase was mainly due to increase in bank borrowings and effective interest rates.

Taxation

Our taxation increased by approximately HK\$1.5 million, or approximately 50.4% from approximately HK\$3.1 million for FY2022 to approximately HK\$4.6 million for FY2023. Such increase was mainly due to the decrease in recognition of tax losses as deferred tax assets of approximately HK\$2.3 million offset by the decrease in provision of taxation for FY2023 by approximately HK\$0.9 million.

Loss for the year attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$27.5 million in FY2023 whereas the profit attributable to owners of the Company of approximately HK\$22.8 million was incurred in FY2022. The change from net profit to net loss was mainly attributable to (i) the fair value loss on FVTPL of approximately HK\$24.8 million in relation to the unlisted investment of holding company of HKbitEX on the valuation report prepared by a professional valuer as at 31 March 2023 (FY2022: fair value gain on FVTPL of this investment of approximately HK\$14.6 million); and (ii) the increase in administrative expenses as mentioned above.

Cash flow

The net cash generated from operating activities increased by approximately HK\$3.1 million from approximately HK\$20.0 million in FY2022 to approximately HK\$23.1 million in FY2023, representing an increase of approximately 15.7%.

Dividend

In view of the recent uncertainties in the market and the importance of maintaining sufficient liquidity for the Group's long-term development, the Board recommended not to pay a final dividend for FY2023.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

We financed our operation mainly through cash generated from our operating activities and bank borrowings. As at 31 March 2023 and 2022, we had cash and cash equivalents of approximately HK\$67.2 million and HK\$49.1 million, respectively. The Group's gearing ratio was approximately 85.3% and 43.4% as at 31 March 2023 and 2022, respectively.

CAPITAL STRUCTURE

As at 31 March 2023, the capital structure of the Company comprised issued share capital and reserves.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had no significant capital commitment in respect of property and equipment contracted but not provided for (31 March 2022: Nil).

SEGMENT INFORMATION

An analysis of the Group's revenue from reportable segment is set out in note 4 to the consolidated financial information in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group does not have plans for material investments and capital assets as at 31 March 2023.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, the financial assets at FVTPL of the Group amounted to approximately HK\$14.6 million (31 March 2022: HK\$42.3 million), mainly including unlisted preference shares investment of approximately HK\$13.1 million (31 March 2022: HK\$37.9 million) and unlisted fund investment of approximately HK\$1.5 million (31 March 2022: HK\$4.1 million).

The directors of the Company (“**Directors**”) considered that (i) investments with a carrying amount that account for more than 5% of the Group’s audited total assets as at 31 March 2023; or (ii) investments which recorded realised or unrealised gain/(loss) of over HK\$5 million during FY2023 as significant investments.

Description of investments	Note	Carrying amount as at 1 April 2022 HK\$'000	Acquisition and disposal, net during the year HK\$'000	Fair value loss recognised in profit and loss, net during the year HK\$'000	Carrying amount as at 31 March 2023 HK\$'000	Percentage
						to the Group's audited total assets as at 31 March 2023
Financial assets at FVTPL						
Unlisted preference shares investment, at fair value						
– investment in the holding company of HKbitEX	(a)	37,854	–	(24,781)	13,073	2.02%
Unlisted fund investment		4,143	–	(2,639)	1,504	0.23%
Equity securities listed in Hong Kong and the United States		263	1,840	(2,103)	–	–
Total		42,260	1,840	(29,523)	14,577	2.25%

Note:

- (a) This unlisted investment, represented approximately 6% of issued shares (on an as-converted basis) of the Tykhe Capital Group Limited (“**Tykhe**”), subsequently, in July 2021, Tykhe completed a subscription agreement with several investments with respect to issuance of Pre-Series B Preference Shares of Tykhe and our shares represented approximately 5.82% of issued shares (on a converted basis) of Tykhe. Such unlisted investment was held for an identified long term strategic purpose and the Group does not intend to dispose such shares in the foreseeable future.

Tykhe was established in July 2018 and principally engaged in the operation of a virtual asset trading exchange through its wholly owned subsidiary, HKbitEX. HKbitEX is headquartered in Hong Kong and was one of the first applicants which applied to the SFC for dealing in securities (Type 1) and automated trading services (Type 7) licences for the purpose of a virtual asset trading platform, which will enable them to offer regulated virtual asset trading services to global professional and institutional investors.

As at 31 March 2023, the fair value of this unlisted preference shares investment was approximately HK\$13.1 million based on the valuation report prepared by an independent professional valuer.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during FY2023.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had no material contingent liabilities (as at 31 March 2022: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's purchase are primarily denominated and settled in United States Dollars. The sales of the Group are predominated in Hong Kong Dollars. The Group will continue to monitor the risk related to foreign exchanges. The Group did not use any hedging contracts to engage in speculative activities during FY2023.

CHARGE ON GROUP'S ASSETS

As at 31 March 2023, the Group's bank borrowings were secured by the properties located in Hong Kong and Singapore, and life insurance contracts entered into with a bank.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 134 employees (as at 31 March 2022: 132 employees) and most of them were working in the Hong Kong offices. We incurred staff costs inclusive of performance related bonus, share based payments and directors' emoluments of approximately HK\$93.2 million and HK\$97.8 million for FY2023 and FY2022, respectively.

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish good corporate governance and adopt sound corporate governance practices. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing the Shareholders' interests.

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") within the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Rules ("**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

In the opinion of the Directors, save for the deviation of code provision C.2.1 of the CG Code, as disclosed in the paragraph headed “Chairman and Chief Executive Officer” below, the Company has complied with the Code Provisions as set out in the CG Code during for FY2023 to ensure that the Group’s business activities and decision-making processes are regulated in a proper and prudent manner.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

As Mr. Liu Yui Ting Raymond (“**Mr. Raymond Liu**”) is the chairman (“**Chairman**”) and the Chief Executive Officer (“**Chief Executive Officer**”) of the Company during FY2023, it constituted a deviation from code provision C.2.1 of the CG Code.

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

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (“**Model Code**”). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code for FY2023 and up to the date of this announcement.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (“**Inside Information Policy**”).

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company for FY2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during FY2023 and up to the date of this announcement.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors that competed or might compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group during FY2023 and up to the date of this announcement.

FINAL DIVIDEND

The Board recommended not to declare a final dividend for FY2023, in order to maintaining sufficient liquidity for the Group's long-term development, in light of the recent uncertainties in the market (FY2022: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 12 to the consolidated financial information of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this announcement, the Company has maintained a sufficient prescribed public float of 25% the total number of issued shares pursuant to Rule 13.35 of the Listing Rules.

AUDIT COMMITTEE

The Company established the audit committee of the Company ("**Audit Committee**") on 23 March 2017 with written terms of reference, which was aligned with the CG Code. A revised term of reference has been adopted on 20 December 2019 to incorporate amendments to the Listing Rules. The revised terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee currently consists of three (3) independent non-executive Directors, namely Mr. Chan Siu Ming Simon, Mr. Ng Tsz Fung Jimmy and Mrs. Wong Hung Flavia Yuen Yee. Mr. Ng Tsz Fung Jimmy currently serves as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The annual results of the Company for FY2023 have been audited. The Audit Committee has reviewed the audited consolidated financial statements of the Group for FY2023 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("**Deloitte**"), to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 21 June 2023. The work performed by Deloitte in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte in this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the Company's website at www.edvanceintl.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company containing all the information required by Appendix 16 of the Listing Rules will be published on the aforesaid websites of the Company and the Stock Exchange and will be despatched to the Company's shareholders in due course in accordance with the Listing Rules.

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

Hong Kong, 21 June 2023

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 Director is Mr. Lo Wai Ho Ashley, and the independent non-executive Directors are Mr. Ng Tsz Fung Jimmy, Mr. Chan Siu Ming Simon and Mrs. Wong Hung Flavia Yuen Yee.