# VONGROUP LIMITED
# 黃河實業有限公司*

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 318)**

## INTERIM RESULTS ANNOUNCEMENT
## FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

**FINANCIAL HIGHLIGHTS**

Building upon the Group's past few years of steady growth in providing technology services and solutions, we have refined and developed our main business as a "technology service and solutions provider" that focuses primarily on fintech, ecommerce, payment, cloud technology and enterprise solutions.

Following our turnaround to profit in the year ended 30 April 2018, we have seen significant growth in the Group's revenue and profit for the six months ended 31 October 2020, as compared with the same period in the previous year. This growth has been accelerated by the digital transformation needs of enterprises during the "new normal" that has resulted from the COVID-19 pandemic.

1. Turnover increased significantly by 176% to HK$47.5 million, as compared with HK$17.2 million for the corresponding period in 2019.

2. Net profit increased significantly by 363% to HK$12.5 million, as compared with HK$2.7 million for the corresponding period in 2019.

3. This significant increase in turnover was mainly attributable to significant increase in the technology business turnover, an increased by 196% to HK$45.3 million, as compared with HK$15.3 million for the corresponding period in 2019.

4. Profit margin increased to 26.3%, as compared with 10.9% for the corresponding period in 2019.

5. Earnings per share increased significantly by 364% to HK$0.065, as compared with HK$0.014 for the corresponding period in 2019.

## CEO'S STATEMENT

Dear Shareholders,

Since Vongroup's engagement in technology-related businesses 13 years ago in 2007, we have refined and developed our main business as a "technology service and solutions provider" that focuses primarily on fintech, ecommerce, payment, cloud technology and enterprise solutions. We are also committed to providing enterprise architecture, technology transformation, custom platforms and solutions, including solutions powered by virtual reality (VR) technologies. We now serve a diversified client base in Hong Kong, and regionally from Mainland China, South Korea, Japan, Macau, and Southeast Asia, amongst others. They range from local SMEs to global organizations, many of whom are in financial services, wealth management, ecommerce, education, media and entertainment industries.

Going forward, we will strive to further increase the breadth and depth of our spectrum of technology services and solutions that we offer. We intend to achieve this by both our internal R&D, as well as by acquisitions and operational business partnerships, in order to be a "*digital ecosystem partner for the new normal*", so that when enterprises need to revisit or digitally transform their business operations in light of the "new normal" of consumer and market behaviour resulting from the COVID-19 pandemic, Vongroup will be one of the potential partners they should consider talking to. At the same time, as these technology transformation needs occur almost all over the world, we will seek to further expand internationally, including leveraging upon our experience to provide consultancy services to improve or develop customers' technology-focused commercial models. Following 13 years of technology experience, coupled with even longer commercial operation experience, we are optimistic that we will continue to grow our presence in Hong Kong and regionally.

For the six months ended 31 October 2020, there were two major reasons for the Group's substantial improvement in business:

(1) Our Technology revenue increased significantly by 196% as compared with the same period last year.

(2) Our Technology profit margin increased from HK$10.7 million to HK$25.8 million for the same period last year.

Driven mainly by these two reasons, the Group recorded profit from operations for the period of HK$12.7 million, and total comprehensive income for the period of HK$13.2 million, reflecting 380% and 684% growth, respectively, as compared with the same period last year.

Our early years in technology were more challenging, as we developed and evolved to where we are now. It is from this vantage point of having achieved significant growth that is sustainable in a market where we command competitive advantages, that we now look ahead to continued and further growth for the rest of this year and the years to come.

### The Technology Service and Solutions Provider Market in Hong Kong

***The first question is, what are our competitive advantages?***

The market in Hong Kong is competitive and there are many other experienced IT providers – however, providing one-stop technology service and solution in the way that Vongroup does to clients that covers enterprise architecture, technology advisory, enterprise solutions and fully-managed IT services businesses, is a totally different business concept and value proposition than what many other IT providers offer.

Over the past decade as technology has advanced, many businesses may, quite naturally, have had some focus on technology. According to a survey by Innotas in 2016, half of the respondents admitted that they focus on delivering the technology project on time rather than on how to maximise business value from these IT initiatives. The Innotas survey also highlighted that the problem of not being able to align business goals with IT goals has led to a 55% failure to meet business needs.

In fact, frequently, a client's technology architecture evolves chaotically. This means that changes may have been applied sporadically over a period of time, and on different levels. While their systems may be technologically sound and may have been delivered on time, they may either lack sufficient business evaluation or lack maximized connection with one another, or both. And after running into a problem, managers may, very naturally, decide to apply their own skills in an ad hoc way to improve the situation at hand. Many of these managers may lack technical knowledge while the IT professionals may not adequately or appreciate these business considerations. This is the current position that we frequently see in many enterprises.

By contrast, Vongroup comes from a blended business-and-technology evolution. For many years, we have been evaluating, investing, operating and managing businesses. We still do that now. As a result, we have also gathered recognition and business relationships across many industries that help us in generating clients for our technology business, in addition to those sourced by our sales channel partners, and we now provide a one-stop enterprise architecture, technology advisory, enterprise solutions and fully-managed IT services businesses, for local and international clients, including those in industries like financial services, education technology, ecommerce, remote business, virtual events technology, smart-city technology, and more.

Our emphasis on commercial performance indicators to maximise efficiency and cost-effectiveness is based upon many of our clients' view that their technology infrastructure should be a commercial growth opportunity. Vongroup does not just simply get the technology job done, but in fact we help the client maximize the use of that technology in order to stay ahead of the game in the new normal, to increase resilience and to cope with changes.

***The second question is, can Vongroup's business be sustainable in the long-term?***

The pandemic has been an accelerator for technological change across businesses. And while many companies are still assessing their future plans, what is evident is that all businesses, including ourselves, must become more digitally-driven in the post-pandemic era. It will be the decisive enterprises who enhance their digital systems now and use data analytics to improve how to service the 'new' customer, who are best positioned to stay ahead of the game and be sustainable in the long-term.

This means that we can and must use our current competitive advantage to continue to stay ahead of the pack. The evolution of transformational technology and the availability of data helps us better understand the needs of our customers, while continually beating back the competition.

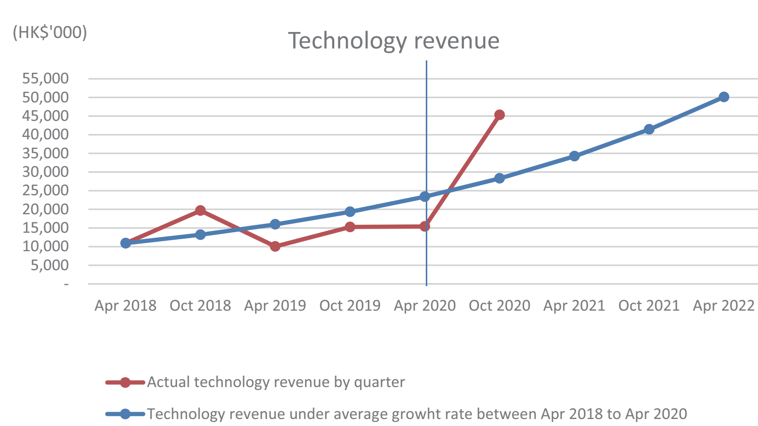
What some of our best offence and strongest defence strategies in terms of knowing the needs of our customers, while keeping many of our competitors at a distance? We stress the following:

- Identify and capture pockets of profitable growth
- Expand our offerings of services and solutions
- Differentiate against competitors
- Form partnerships and alliances with leading-edge companies
- Magnify growth through sales channel partnerships
- Make the most of data analytics

Therefore, we are actively negotiating and incorporating a number of advanced and commercially-drive technology services and solutions to add to our "stable", in order to create further synergy and to generate greater business opportunities for Vongroup.

***The third question is, whether this digital transformation will continue after the pandemic is over?***

It is frequently acknowledged that the "new normal" brought about by the pandemic has not been *changes* in consumer and business behaviour. Instead, the pandemic has *accelerated* these changes, which were probably likely to have been inevitable anyway. It's expected that it's just a matter of time that technology and usage behaviour would have taken us there anyway. We expect that enterprises will continue to accelerate their investment in digital transformation to address this "new normal". For example, to quote the senior economist at Swiss Re, he takes the view that the increased use of digital tools is blurring the lines between work, lifestyle and social interaction, and between domains like mobility, health and finance, and that this is expected to continue in the post-COVID world. Vongroup shares this view of the post-COVID world once the pandemic is over.




If we were to do a linear projection of our technology revenue growth over the previous years, we would see the above straight-line growth, achieving HK$50 million in half-year revenue by 2022. However, the pandemic has accelerated this anticipated timeframe by 1.5 years.

**Digital ecosystem partner for the "new normal"**

Vongroup's target is to become the "*digital ecosystem partner for the new normal*". This means that we expect to be incorporating more services and solutions to our spectrum in order to offer even broader services to our clients.

This will include adding Hong Kong's leading SaaS platform to our spectrum, as well as others that we are work in progress for acquisition or partnership.

**Looking Ahead**

Management expects that the Group will achieve in the six months ending 30 April 2021 estimated revenue (before reflecting changes in fair value of investment properties) that is similar to or more than that for the six months ended 31 October 2020, meaning estimated revenue of about HK$100 million for the year ending 30 April 2021 (before reflecting changes in fair value of investment properties).

We believe that the calendar year 2020 is the real starting point for the technological transformations that many clients are undergoing or are now assessing, given the COVID pandemic and the expected post-pandemic era. The COVID pandemic has awakened more and more companies and service providers, alerting them to pay more attention to distance and virtual technologies, fintech, cloud, etc. Over the past several years of challenges in our technology business, as well as our turnaround to profit in the year ended 30 April 2018, Vongroup has evolved into a strong business-and-technology service and solutions provider. And we will continue towards the path of being a digital ecosystem partner for the "new normal".

In terms of business model, R&D, marketing and promotions, operational strategies, technology systems development, commercial performance indicators fueled by business-oriented technologies, sales channel partnerships, we have accumulated substantial knowledge and experience, which many traditional IT providers lack. We believe that this is a strong business opportunity for Vongroup to continue to expand and extend, both in Hong Kong and regionally.

Finally, we wish to sincerely thank all our team members and our sales channel partners and other business associates for their tireless and dedicated work.

**Vong Tat Ieong David**
*Chief Executive Director*

Hong Kong, 31 December 2020

The board of directors (the "Board" or "Directors") of Vongroup Limited (the "Company") wishes to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2020, together with the comparative figures for the corresponding period of the previous year, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 31 October 2020*

| | | Six months ended 31 October (unaudited) | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Turnover** | *4* | **47,542** | 17,227 |
| Other revenue and net gains | *4* | **339** | 527 |
| Staff costs | | **(5,754)** | (3,545) |
| Expenses recognised under short-term leases | | **(392)** | (311) |
| Depreciation | | **(381)** | (385) |
| Administrative and operating expenses | | **(22,662)** | (8,160) |
| Net impairment losses recognised in respect of financial assets at amortised cost | | **(4,255)** | – |
| Change in fair value of investment properties | | **(1,724)** | (2,381) |
| **Profit from operations** | *5* | **12,713** | 2,972 |
| Finance costs | *6* | **(209)** | (368) |
| **Profit before taxation** | | **12,504** | 2,604 |
| Income tax credit | *7* | **1** | 47 |
| **Profit for the period** | | **12,505** | 2,651 |
| **Other comprehensive income/(expense)** | | | |
| Exchange differences arising on translation of foreign operations | | **666** | (971) |
| **Total comprehensive income for the period** | | **13,171** | 1,680 |
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | **12,505** | 2,651 |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the Company | | **13,171** | 1,680 |
| **Earnings per share** | | | |
| Basic and diluted | *9* | **HK$0.065** | HK$0.014 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 October 2020*

| | *Note* | **31 October 2020** *HK$'000* **(unaudited)** | 30 April 2020 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **12,403** | 12,334 |
| Investment properties | | **243,704** | 245,428 |
| Financial assets at fair value through other comprehensive income | | **23,808** | 23,808 |
| Financial assets at fair value through profit or loss | | **1,550** | 1,550 |
| | | **281,465** | 283,120 |
| **Current assets** | | | |
| Account receivables | *10* | **45,513** | 38,014 |
| Loan receivables | | **28,325** | 28,476 |
| Deposits, prepayments and other receivables | | **49,642** | 46,517 |
| Financial assets at fair value through profit and loss | | **6,644** | 11,303 |
| Bank balances and cash | | **32,524** | 19,600 |
| | | **162,648** | 143,910 |
| **Current liabilities** | | | |
| Account payables | *11* | **4,242** | – |
| Accruals and deposits received | | **10,407** | 9,686 |
| Bank borrowings | | **23,217** | 24,267 |
| Tax payables | | **567** | 567 |
| | | **38,433** | 34,520 |
| **Net current assets** | | **124,215** | 109,390 |
| **Total assets less current liabilities** | | **405,680** | 392,510 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **859** | 860 |
| **NET ASSETS** | | **404,821** | 391,650 |
| **Capital and reserves** | | | |
| Share capital | | **7,688** | 7,688 |
| Reserves | | **397,133** | 383,962 |
| **TOTAL EQUITY** | | **404,821** | 391,650 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 October 2020*

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets at fair value through profit or loss, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2020, except that the Group has adopted, for the first time for the current period's unaudited condensed consolidated interim financial statements, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "New HKFRSs") issued by the HKICPA that are effective for the accounting period commencing on 1 May 2020:

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

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 May 2020. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's executive directors, being the Group's chief operating decision maker ("CODM") for the purposes of resources allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

For the six months ended 31 October 2020, the Group has determined that there are three reportable operating segments which are set out below. The comparative figures have been restated accordingly.

| | | |
|---|---|---|
| 1. | Technology: | Technology related business |
| 2. | Property: | Real property and related business |
| 3. | Financial: | Consumer finance, securities trading, other financial/business services and related business |

### (a) Segment revenue and results

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM monitors the revenue and results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales or financing activities generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

***Segment revenue and results***

The following is an analysis of the Group's revenue and results from operations by reportable segments:

**Six months ended 31 October 2020 (unaudited)**

| | **Technology** *HK$'000* | **Property** *HK$'000* | **Financial** *HK$'000* | **Consolidated** *HK$'000* |
|---|---|---|---|---|
| Segment revenue | **45,342** | **2,386** | **(186)** | **47,542** |
| Segment results | **25,782** | **125** | **(664)** | **25,243** |
| Unallocated other revenue and other gains | | | | **339** |
| Unallocated corporate expenses | | | | **(12,869)** |
| Finance costs | | | | **(209)** |
| Profit before income tax | | | | **12,504** |
| Income tax credit | | | | **1** |
| Profit for the period | | | | **12,505** |

Six months ended 31 October 2019 (unaudited)

| | Technology<br>*HK$'000* | Property<br>*HK$'000* | Financial<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|
| Segment revenue | 15,278 | 2,479 | (530) | 17,227 |
| Segment results | 10,677 | (297) | (1,145) | 9,235 |
| Unallocated other revenue and other gains | | | | 506 |
| Unallocated corporate expenses | | | | (6,769) |
| Finance costs | | | | (368) |
| Profit before income tax | | | | 2,604 |
| Income tax credit | | | | 47 |
| Profit for the period | | | | 2,651 |

**(b) Geographical segments**

The following table provides an analysis of the Group's segment revenue by geographical market.

| | **Six months ended 31 October (unaudited)** | |
|---|---|---|
| | **2020**<br>***HK$'000*** | 2019<br>*HK$'000* |
| Hong Kong | **47,276** | 16,810 |
| Mainland China | **266** | 249 |
| Macau | **–** | 168 |
| Total | **47,542** | 17,227 |

**(c) Information about major customers**

The Group has a wide customer base and no single customer contributed more than 10% of the Group's revenue for the six months ended 31 October 2020 (2019: nil).

## 4. TURNOVER, OTHER REVENUE AND NET GAINS

The Group's turnover, other revenue and other net gains for the period arose from the following activities:

| | Six months ended 31 October (unaudited) | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| ***Revenue from contracts with customers within HKFRS 15*** | | |
| **Provision of technology related activities** | **45,342** | 15,278 |
| ***Revenue from other sources*** | | |
| **Provision of property leasing services** | | |
| – Gross rental income from investment properties | **2,386** | 2,479 |
| **Provision of financial related activities** | | |
| – Interest income | **552** | 328 |
| – Dividend income from listed equity securities | **163** | 441 |
| – Net loss on listed equity securities at FVPL (Note) | **(901)** | (1,299) |
| | **(186)** | (530) |
| | **47,542** | 17,227 |

*Note:*

| | Six months ended 31 October (unaudited) | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Net loss on listed equity securities at FVPL | | |
| – Change in fair value | **(1,102)** | (2,248) |
| – Realised gain* | **201** | 949 |
| | **(901)** | (1,299) |

* The amount represented the proceeds from the disposal of listed equity securities of approximately HK$3,873,000 (2019: approximately HK$30,994,000) less relevant costs and carrying value of the listed equity securities sold of approximately HK$3,672,000 (2019: approximately HK$30,045,000).

| | Six months ended 31 October (unaudited) | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| **Other revenue and net gains** | | |
| Bank interest income | **20** | 40 |
| Exchange gain, net | **–** | 4 |
| Management income | **108** | 108 |
| Other interest income | **–** | 375 |
| Others | **211** | – |
| | **339** | 527 |

## 5. PROFIT FROM OPERATIONS

The profit from operations is arrived at after charging/(crediting):

| | Six months ended 31 October (unaudited) | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Staff costs | **5,754** | 3,545 |
| Gross rental income from investment properties less direct outgoings of approximately HK$150,000 (2019: approximately HK$74,000) | **(2,236)** | (2,405) |

## 6. FINANCE COSTS

| | Six months ended 31 October (unaudited) | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **209** | 368 |

## 7. INCOME TAX CREDIT

| | Six months ended 31 October (unaudited) | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Profits tax: | | |
| Write back of deferred tax | **1** | 47 |
| Income tax credit for the period | **1** | 47 |

No provision for profits tax in the Cayman Islands, British Virgin Islands, PRC and Hong Kong has been made as the Group has no income assessable for tax for the period in these jurisdictions (2019: nil).

## 8. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2020 (2019: nil).

## 9. EARNINGS PER SHARE

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| **Earnings for the period** | | |
| Earnings for the purpose of basic and diluted earnings per share | **12,505** | 2,651 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **192,189,833** | 192,189,833 |

## 10. ACCOUNT RECEIVABLES

| | **31 October 2020** *HK$'000* **(unaudited)** | 30 April 2020 *HK$'000* (audited) |
|---|---|---|
| Accounts receivable | **51,350** | 43,850 |
| Less: Loss allowance | **(5,837)** | (5,836) |
| | **45,513** | 38,014 |

The following aged analysis of account receivables is based on invoice date:

| | **31 October 2020** *HK$'000* **(unaudited)** | 30 April 2020 *HK$'000* (audited) |
|---|---|---|
| Within 30 days | **7,580** | 2,801 |
| 31 to 60 days | **7,525** | 10,171 |
| 61 to 90 days | **6,560** | 1,402 |
| 91 to 180 days | **18,196** | 4,414 |
| Over 180 days | **5,652** | 19,226 |
| | **45,513** | 38,014 |

The Group generally allows an average credit period range from 30 to 180 days to its customers. Account receivables that were neither past due nor impaired related to customers for whom there was no default. Account receivables that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management considered no impairment is necessary as there has not been a significant change in credit quality of these balances, which are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group maintains a defined credit policy including stringent credit evaluation. Receivables are regularly reviewed and closely monitored to minimise any associated credit risk.

## 11. ACCOUNT PAYABLES

The following aged analysis of accounts payables is based on invoice date:

| | **31 October 2020** *HK$'000* **(unaudited)** | 30 April 2020 *HK$'000* (audited) |
|---|---|---|
| Within 30 days | **1,180** | – |
| 31 to 60 days | **1,132** | – |
| 61 to 90 days | **1,930** | – |
| | **4,242** | – |

The average credit period granted by suppliers ranges from 30 to 90 days.

## 12. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements have been reviewed with no disagreement by the Audit Committee of the Company and were approved and authorised for issue by the Board on 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

Thanks to our team's efforts, we have achieved significantly higher revenue and profit in the six months ended 31 October 2020. Since the Group's engagement in technology-related businesses 13 years ago in 2007, we have refined and developed our main business as a "technology service and solutions provider" that focuses primarily on fintech, ecommerce, payment, cloud technology and enterprise solutions. We are also committed to providing enterprise architecture, technology transformation, custom platforms and solutions, including solutions powered by virtual reality (VR) technologies. We now serve a diversified client base in Hong Kong, and regionally from Mainland China, South Korea, Japan, Macau, and Southeast Asia, amongst others. They range from local SMEs to global organizations, many of whom are in financial services, wealth management, ecommerce, education, media and entertainment industries.

Building upon the Group's past few years of steady growth in providing technology services and solutions, we have seen growth that is now accelerated by the "new normal" resulting from the COVID-19 pandemic.

Due mainly to the performance of our technology business, the Group recorded revenue of approximately HK$47.5 million (2019: approximately HK$17.2 million) during the period under review (176% growth) and profit for the period of approximately HK$12.5 million (2019: approximately HK$2.7 million) (363% growth). This continues the Group's successful record of profit into the fourth successive year following its turnaround during the year ended 30 April 2018.

It is frequently acknowledged that the "new normal" brought about by the pandemic has not been *changes* in consumer and business behaviour. Instead, many enterprises agree that the pandemic has *accelerated* these changes, which were likely to have been inevitable anyway. It's probably just a matter of time that technology and usage behaviour would have taken us there. We expect that enterprises will continue to accelerate their investment in digital transformation to address this "new normal". For example, to quote the senior economist at Swiss Re, he takes the view that the increased use of digital tools is blurring the lines between work, lifestyle and social interaction, and between domains like mobility, health and finance, and that this is expected to continue in the post-COVID world. Vongroup shares this view of the post-COVID world once the pandemic is over.

### Business Review

#### *Technology*

The market in Hong Kong is competitive and there are many other experienced IT providers – however, providing one-stop technology service and solutions in the way that the Group does to clients that covers enterprise architecture, technology advisory, enterprise solutions and fully-managed IT services businesses, is a totally different business concept and value proposition than what many other IT providers offer.

Over the past decade, many businesses may, quite naturally, focus on technology. According to a survey by Innotas in 2016, half of the respondents admitted that they focus on delivering the technology project on time rather than on how to maximise business value from these IT initiatives. The Innotas survey also highlighted that the problem of not being able to align business goals with IT goals has led to a 55% failure to meet business needs.

In fact, frequently, a client's technology architecture evolves chaotically. This means that changes may have been applied sporadically over a period of time, and on different levels. While their systems may be technologically sound and may have been delivered on time, they may either lack sufficient business evaluation or lack maximized connection with one another, or both. And after running into a problem, managers may, very naturally, decide to apply their own skills in an ad hoc way to improve the situation at hand. Many of these managers may lack adequate technical knowledge, while the IT professionals may not adequately appreciate these business considerations. This is the current position that we frequently see in many enterprises.

By contrast, the Group comes from a blended business-and-technology evolution. For many years, we have been evaluating businesses as an institutional investor. We still do that now. As a result, we have gathered recognition and business relationships across many industries that help us in generating clients for our technology business, in addition to those sourced by our sales channel partners. This means we leverage on our technological R&D capabilities, plus our business team's business experience and expertise in business management and operations, e-commerce, fintech and other information technology, financial services and business services experience. As a result, the Group now provides a one-stop enterprise architecture, technology advisory, enterprise solutions and fully-managed IT services businesses, for local and international clients, including those in industries like financial services, education technology, ecommerce, remote business, virtual events technology, smart-city technology, and more.

We know that we must continue to strengthen our business model by adding to the breadth and depth of the technology services and solutions that we operate. Therefore, we are actively negotiating and incorporating a number of advanced and commercially-drive technology services and solutions to add to our "stable", in order to create further synergy and to generate greater business opportunities for the Group. This and other additions to enhance Vongroup's spectrum of digital solutions and services are outlined below.

The technology business recorded revenue of approximately HK$45.3 million (2019: approximately HK$15.3 million) (196% growth) with profit for the period of approximately HK$25.8 million (2019: approximately HK$10.7 million) (141% growth). As the Group has taken new initiatives to seek to explore and expand this business, we envisage that the revenue and profit of this business will see continuing growth during the upcoming year.

To further our technology business and to expand rapidly to exploit the window of opportunities in the shifting economy, and paradigm changes brought about by the "new normals", we are currently engaged in discussions to make possible acquisitions of or enter into business partnerships with established, highly-reputable, and high-growth technology services and products, which would present synergistic value with our existing technology services and solutions, and which would add to and deepen our business scope. The details of these possible additions are referred to in our announcements, regarding (a) acquiring a controlling interest in Claman Global Limited which owns leading SaaS platforms whose enterprise clients include major international events and virtual business exhibitions and trade shows, and which has a database of about 200,000 transacted customers, and (b) possible acquisition of an Enterprise Team Collaboration software and an Ecommerce business, in addition to strategic co-operation alliance to grow our technology solutions business. We are also engaged in discussions in regard to possible provision of smart-city technology services for a major development, Manila International Financial Centre Headquarters City Center City Project at Manila Bay, Philippines. If these materialise, they would be expected to further strengthen the Group's technology and management business, and the Group would look forward to further growth in our technology business results.

***Other Business***

Our property operations are managed with a two-pronged approach of value gain and rental income to optimize value creation for our shareholders. We have continued to manage our operations by identifying optimal opportunities to acquire, manage and operate undervalued properties, including (i) commercial properties (retail and offices), especially in Kowloon East CBD, in line with the government's CBD 2.0 policy to transform Kowloon East, (ii) residential properties, especially at prime locations, and (iii) carpark properties, especially at locations with a low carpark density. These properties are located at regional locations that we believe are considered to be higher quality for property demand, primarily in Hong Kong, but also in the PRC and Macau. These properties are acquired, managed, operated and disposed for both value gain and rental income strategies. As a result, (a) income from our properties can be from both disposal proceeds as well as from rental receipts, and (b) fair value gains from our properties are recorded and contribute towards profit for the period.

Rental income for the period under review has been fairly steady at approximately HK$2.4 million (2019: approximately HK$2.5 million). As many property values in Hong Kong have been seriously affected by the recent social unrest, we are pleased to record only a very slight decrease in unrealized fair value of investment properties during the period under review, being approximately HK$1.7 million decrease (2019: loss of approximately HK$2.4 million). This slight decrease is approximately 0.7% of the HK$245.4 million fair value of investment properties as at 30 April 2020. We recorded approximately HK$0.1 million gain for the period under review in our property business (2019: loss of approximately HK0.3 million), which reflects the non-cash impact on fair value of investment properties. When such changes in fair value of investment properties are excluded, our property business recorded stable profit HK$1.8 million in profit during the period under review (2019: approximately HK$2.1 million).

Given market conditions, we believe that the optimum times and values for disposing of selected properties may be during the coming 12 months, however we also believe that there would be undervalued opportunities regionally outside Hong Kong.

The financial services business provides consumer finance services, securities trading and other financial related services. During the period under review, we recorded negative revenue of approximately HK$0.2 million (2019: approximately negative HK$0.5 million), resulting in loss of approximately HK$0.7 million (2019: loss of approximately HK$1.1 million). We expect to continue to reduce the weighting of this segment, as compared with the growth in the technology sector.

**Risks and uncertainties**

The Group is exposed to the risk of negative, volatile or of uncertain developments, including but not limited to negative, volatile or uncertain developments in the global, regional and local economies, in the financial and property markets, and in the changes in patterns of consumption. These developments might reduce revenue or result in reduced valuations of the Group's investment properties or in the Group being unable to meet its strategic objectives or in negative effect to its financial condition, results of operations and businesses. The Company will continue to adopt prudent financial policies to cope with the impact of uncertain factors.

**Fund Raising Exercises**

The Company did not have any equity fund raising activity during the six months ended 30 October 2020.

**Significant Investment, Material Acquisitions And Disposals**

***(1) Acquisition of Additional Equity Interest in Claman Global Limited***

Claman is a company incorporated in the British Virgin Islands with limited liability. Claman and its subsidiary are engaged in the financial technology industry including in relation to crowdfunding and technologies and services that seek to increase the efficiency of online financial transactions.

On 26 September 2016, a wholly-owned subsidiary of the Company, Vongroup Investment Holdings Limited ("VIHL"), entered into a subscription agreement with Claman, pursuant to which VIHL conditionally agreed to subscribe for and Claman conditionally agreed to issue and allot 29% of the issued share capital of Claman (approximately 22.48% of the enlarged issued share capital of Claman) at the consideration of HK$29,000,000, which was satisfied by allotting and issuing 23,349,436 shares of the Company at the issue price of HK$1.242 per share.

On 22 October 2020, VG Investment Assets Holdings Limited ("VG Investment"), a wholly-owned subsidiary of the Company, and Allyking International Limited entered into a share purchase agreement in relation to acquisition of approximately 17.8% equity interest in Claman at a consideration of HK$15,698,250 which shall be satisfied by the allotment and issue of 34,885,000 new shares of the Company at the issue price of HK$0.45 per share.

On 27 November 2020, VG Investment and Claman entered into a subscription agreement in relation to subscription of approximately 20.2% equity interest in Claman at a consideration of approximately HK$14.1 million which shall be satisfied by payment in cash.

The Group currently holds approximately 22.48% equity interest in Claman and will hold approximately 50.32% equity interest in Claman after the completion of the above acquisition and subscription. Claman will become a subsidiary of the Company, and the accounts of Claman will be consolidated into the financial statements of the Company. Details of the above were disclosed in the announcements of the Company dated 26 September 2016, 8 July 2020, 22 October 2020 and 27 November 2020.

As at date of the announcement, the above acquisition and subscription of Claman are not yet completed. As at 31 October 2020, the carrying value of Claman as financial assets at FVOCI of the Group was approximately HK$23.8 million (30 April 2020: approximately HK$23.8 million). There was no change in fair value during the six months ended 31 October 2020.

***(2) Possible Acquisition of Smart-City Property Development Rights and Potential Provision Technology Services***

On 4 August 2020, the Company entered into a non-legally binding memorandum of understanding with the vendor in relation to the possible acquisition of smart-city property development rights for certain phases of Manila International Financial Center Headquarters City Center City, at Manila Bay, the Philippines, incorporating intelligent technologies and ecosystems. The Company and the vendor are engaged in discussions in relation to the Company's potentially providing technology and management services for the Project that may cover the life of the development of certain phases. No formal agreement in respect of the above has been made as at date of this announcement. Details of the above were disclosed in the announcements of the Company dated 4 August 2020, 7 October 2020 and 4 December 2020.

Save as disclosed above, the Group had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 October 2020.

**Future Prospects**

Going forward, we will strive to further increase the breadth and depth of our spectrum of digital services and solutions that we offer. We intend to achieve this by both our internal R&D, as well as by acquisitions and operational business partnerships, in order to be a "*digital ecosystem partner for the new normal*", so that when enterprises need to revisit or digitally transform their business operations in light of the "new normal" of consumer and market behaviour resulting from the COVID-19 pandemic, the Group will be one of the potential partners they should consider talking to. At the same time, as these transformation needs occur almost all over the world, we will seek to further expand internationally, including leveraging upon our experience to provide consultancy services to improve or develop customers' technology-focused commercial models. Following 13 years of technology experience, coupled with even longer commercial operation experience, we are optimistic that we will continue to grow our presence in Hong Kong and regionally.

In the coming months and year, to realise this mission, we intend to expand our technology services and solutions to launch several software and leading-edge services, including online platforms, as mentioned earlier. These initiatives are intended to bring the Group closer to becoming the "*digital ecosystem partner for the new normal*". This will be exciting continuing expansion of our services and solutions, and even beyond Hong Kong and regionally, to further regions. We reasonably estimate that the revenue for the second half of the year ending 30 April 2021 (before reflecting changes in fair value of investment properties) will be similar to or better than that of the six months ended 31 October 2020, making a full year revenue estimate (before reflecting changes in fair value of investment properties) of about or more than HK$100 million.

## Financial Review

### *Liquidity and Financial Resources*

The Group maintained cash and bank balances as at 31 October 2020 amounting to approximately HK$32.5 million (30 April 2020: approximately HK$19.6 million). The Group's current ratio as at 31 October 2020 was 4.23 (30 April 2020: 4.2). The total equity of the Group amounted to HK$404.8 million (30 April 2020: HK$391.7 million) as at 31 October 2020.

### *Gearing*

The gearing ratio, as a ratio of bank borrowings to total equity, was 0.06 as at 31 October 2020 (30 April 2020: 0.06).

### *Exchange Rate Exposure*

The Group's assets, liabilities and cash flow from operations are mainly denominated in Renminbi, and Hong Kong dollars. The Group currently does not have any related foreign exchanges hedges, however the Company monitors its foreign exchange exposure and will consider hedges should the need arise.

### *Treasury Policies*

The Group generally finances its operations with internally generated resources and bank borrowings. The interest rates of borrowings, if applicable, are generally charged by reference to prevailing market rates.

As at 31 October 2020, there were bank borrowings, which were denominated in Hong Kong dollars, of approximately HK$23.2 million (30 April 2020: HK$24.3 million). All bank borrowings were subject to interest rate of 0.7%-1.5% per annum over 1-month to 3-month HIBOR, and capped at 2.45%-2.7% per annum below prime rate. The bank borrowings that are not repayable within one year from the end of the reporting period but contains a repayment on demand clause and therefore all bank borrowings were classified into current liabilities of the Group.

### *Contingent Liabilities*

As at 31 October 2020, the Group did not have any material contingent liability (30 April 2020: nil).

### *Pledge of assets*

As at 31 October 2020, the bank borrowings are secured and guaranteed by investment properties of the Group with an aggregate net carrying amount of approximately HK$120.8 million (30 April 2020: HK$121.3 million) and leasehold land and buildings with an aggregate net carrying amount of approximately HK$11.4 million (30 April 2020: HK$11.6 million).

### *Commitments*

The Group had no capital commitments as at 31 October 2020 (30 April 2020: nil).

### *Employment and Remuneration Policy*

As at 31 October 2020, the Group had 41 (30 April 2020: 30) employees in Hong Kong and the PRC. The Group has not experienced any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare, share options and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

## Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standards set out in the Model Code during the six months ended 31 October 2020.

**Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2020 (31 October 2019: nil).

**Purchase, Sale or Redemption of listed securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2020.

**Audit Committee**

During the six months ended 31 October 2020, the audit committee of the Company (the "Audit Committee") comprised three independent non-executive directors, namely, Fung Ka Keung David, Lam Lee G. and Wong Man Ngar Edna. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 October 2020.

**Compliance with the Code on Corporate Governance Practices**

During the six months ended 31 October 2020, the Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules and periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, except for the deviation from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 of the CG Code as described below.

Under code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its directors. However, the Company did not take out insurance cover in respect of legal action against the Directors because it is believed that this legal risk to the Directors is quite low.

Under code provision A.2.1, the role of chairman and chief executive officer ("CEO") should be performed by different individuals. Since September 2005, Vong Tat Ieong David, who is a director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company's development strategies.

Under code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company, including the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years as specified in the provisions of the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Under code provision A.6.7, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Fung Ka Keung David and Wong Man Ngar Edna, being independent non-executive Directors of the Company; were unable to attend the 2020 annual general meeting of the Company held on 30 October 2020 due to their engagement with their other commitments.

By order of the Board
**Vong Tat Ieong David**
*Executive Director*

Hong Kong, 31 December 2020

*As at the date of this announcement, the board of directors of the Company comprises two executive Directors, namely: Vong Tat Ieong David and Xu Siping; and three independent non-executive Directors, namely: Fung Ka Keung David, Lam Lee G. and Wong Man Ngar Edna.*

* *For identification purpose only*