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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 2023**

FINANCIAL HIGHLIGHTS

For the six months ended 31 October 2023, as compared with the same period in the previous year:

- * Turnover increased by 3.5% to HK\$103.4 million
- * Profit for the period increased by 0.5% to HK\$16.0 million
- * Technology sector revenue increased by 1.7% to HK\$100.6 million
- * EBITDA for the period increased by 4.3% to HK\$20.0 million

CEO'S STATEMENT

Dear Shareholders,

In today's dynamic global landscape, businesses are undergoing profound digital transformations, amidst relatively belt-tightening times both in Hong Kong and in many economies overseas. Working to stay towards the forefront of this evolution, Vongroup actively engages with customers to spearhead their journey towards an increasingly digital and AI-driven business model in an otherwise challenging environment that faces higher inflation, higher interest rates, and other difficulties.

The ongoing adoption of more sophisticated cloud technologies for business continues to fuel innovation across our enterprise clients, and cloud transformation remained a high priority area for us and them. This has meant an intensified focus on execution, modernization and migration of their larger, more complex workloads. Access to expansive computation, data, and networks enables us to leverage potent technologies such as advanced analytics and machine learning to deliver our services and products. These applications span a spectrum of domains, including computer vision, text and speech processing, dynamic supply chain optimization, omni-channel modernization, and others.

Performance

The Group's main revenue generating business is a technology and related business where we provide software and other IT services, and related consulting and business solutions, with an emphasis on our portfolio of technology-for-business applications, digital transformation, and scalable cloud platforms, including, amongst others, for example, industry vertical expertise in enterprise management technologies, event management solutions, financial management solutions for major events, SaaS mobile enterprise solutions, remote learning/training solutions, and virtual/hybrid event solutions.

Despite facing global, regional, and local challenges in Hong Kong and overseas, we are pleased to announce that the Group has thrived under these circumstances and showcased robust operational performance during the period under review and attained six consecutive profitable interim results, demonstrating consistent success over time. During this period, the Group's revenue increased 3.5% to HK\$103.4 million (1H2022: HK\$99.9 million) and profit increased 0.5% to HK\$16.0 million (1H2022: HK\$15.9 million).

Cross-disciplinary Experience in Technology and Business; Deep Knowledge of Multiple Industry Verticals

The success of our Group's technology sector hinges on not just acquiring new clientele, but also how we put an emphasis on fostering deep, trusted connections with our existing customers, which has enabled us to understand their evolving business needs and deliver tailored solutions to them. This is one of the essences of our technology-for-business model. We have witnessed support from our clients, which underscores strong demand for our technology-for-business products and services, as well as their confidence in our capabilities, and re-affirms our position as a reliable and trusted technology partner in their journey of growth and digital transformation, safely and securely, unlike a number of other companies' widely-publicised, unfortunate incidents of IT-related issues recently.

And our Group's deep industry expertise in multiple verticals, our robust reputation and track record, together with our comprehensive and growing portfolio of tools, services and solutions, offers an attractive proposition for many of our clients. For example, our Group's FringeBacker Events business develops, operates and manages cloud platforms for, amongst others, mega international event industries, that involve tens of thousands or hundreds of thousands of participants and interactions, which are projects that call for large-scale technology and related project management expertise, extra-high security and privacy, unique fintech payment solutions, as well as unmatched reputational assurances. Some of FringeBacker Events' recent engagements to provide the technology for some of Hong Kong's biggest and most important international events stand out, e.g., for the Standard Chartered Hong Kong Marathon since 2019, 2023 Bank of China (Hong Kong) Hong Kong-Zhuhai-Macau Bridge (HK Section) Half Marathon, and the 2023 Sun Hung Kai Properties Hong Kong Cyclothon organised by the Hong Kong Tourism Board.

Digital Foundation for the Future

In the past few years, as is commonly appreciated, digital technologies have rapidly evolved across a range of industries, and consequently Vongroup has actively collaborated with enterprises on transformation initiatives, which lay the groundwork for their digital future. In particular, we have seen strategic leveraging of data and AI which is re-defining customer and employee experiences, marking a paradigm shift in their operational dynamics.

According to KPMG's global tech report 2023, organizations consider AI and machine learning as the most important technologies for achieving their short-term ambitions. And among leading businesses where investment in technology is driving confidence and profitability most quickly, AI and machine learning are even bigger priorities. More than two-thirds (68%) say these technologies will be vital in helping them to achieve their short-term business goals, compared with 57% of the total sample.

Streamlining and Shaping Global Talent in the new Digital Era

Further, we have observed how digital transformation, which began in clients' front office towards enhancing customer experience, has been making further inroads within our enterprise clients during the past year, unlocking tremendous value in their middle and back office. In that context, we have also seen how technology has transformed some clients' traditional boundaries of work, allowing them to tap into a global pool of talent regardless of geographic location. Many clients worldwide are therefore re-defining their talent approach, in a shift that has been facilitated by advanced tools and platforms that are powered by collaboration tools, AI and cloud technologies. For example, our Group's TeamTech SaaS mobile enterprise resource platforms empower clients to effectively manage and operate their businesses in the new digital era where remote work has become an integral aspect of daily business operations, and our Group's Greenie EdTech business focuses on remote learning, corporate and sales training, and other education technology products and tools.

Outlook

Navigating Business Growth in a Shifting Global Landscape

Throughout the period under review, ongoing geopolitical tensions, economic fluctuations, inflation and volatile markets have continued to influence global growth and the overall economic environment. While geo-political disruptions are compelling more companies to move towards revamping supply chains for resilience and efficiency, the global digital shift seems to be steering businesses towards more sustainable commitments. This has meant that capital investments in technology have in many cases become more essential for our business clients, not only for them to survive, but for them to sustain and thrive within the robust digital ecosystem integration process, which therefore positions IT as one of the crucial enablers in this trajectory. These shifts frequently demand substantial investments in technology and innovation, signaling growth prospects for Vongroup and the also for IT industry as a whole.

Sustainable Innovations and Investments

Vongroup remains steadfast in its commitment to pioneering sustainable innovations and investing in cutting-edge technologies, as evident through our technology-for-business ecosystems. As we continuously allocate resources into refining our products and platforms, we seek to fortify our position towards the forefront of innovation. And as we collaborate closely with strategic partners across different industries, we have pooled together collective expertise, which has helped to drive forward transformative opportunities that further their industries' development. These investments not only underscore our dedication to sustainable practices, but also help to empower us to spearhead positive change, positioning Vongroup as one of the trailblazers in driving impactful, forward-thinking solutions.

International Expansion

Our path to international expansion remains clear, and we have established our office and operations in the United Kingdom to oversee and direct our operations in the UK/EU. We are seeking to expand internationally with our technology products and services, including leveraging upon our experience to provide consultancy services to improve or develop customers' technology-focused commercial models.

With the combination of the Group's applied technology and commercial operation experience over the past 15 years, we are optimistic that we will continue to grow our presence in Hong Kong, regionally in Asia, and elsewhere internationally.

Finally, on behalf of the Board of Directors of Vongroup, I extend my sincere gratitude for your ongoing trust, confidence, and support. I also wish to express heartfelt appreciation to our team members, sales channel partners, and other valued business associates for their unwavering dedication and hard work.

Warm regards,

Vong Tat Jeong David
Chief Executive Officer

Hong Kong, 29 December 2023

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 2023, 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 2023

	Note	Six months ended 31 October (unaudited)	
		2023 HK\$'000	2022 HK\$'000
Turnover	4	103,358	99,841
Other revenue and net gains	4	223	1,030
Cost of inventories		–	(2,253)
Staff costs		(9,589)	(10,588)
Depreciation and amortisation expenses		(3,285)	(3,663)
Administrative and operating expenses		(71,719)	(66,609)
Change in fair value of investment properties		(2,335)	(2,310)
		<hr/>	<hr/>
Profit from operations	5	16,653	15,448
Finance costs	6	(1,190)	(500)
		<hr/>	<hr/>
Profit before taxation		15,463	14,948
Income tax credit	7	506	945
		<hr/>	<hr/>
Profit for the period		15,969	15,893
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		257	(420)
		<hr/>	<hr/>
Total comprehensive income for the period		16,226	15,473
		<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to:			
Owners of the Company		12,517	13,115
Non-controlling interests		3,452	2,778
		<hr/>	<hr/>
		15,969	15,893
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:			
Owners of the Company		12,774	12,695
Non-controlling interests		3,452	2,778
		<hr/>	<hr/>
		16,226	15,473
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic and diluted	9	HK\$0.051	HK\$0.058
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2023

	Note	31 October 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		12,682	10,398
Investment properties		231,715	234,050
Goodwill		39,331	39,331
Intangible assets		58,563	61,634
Financial assets at fair value through profit or loss		1,592	1,592
		<u>343,883</u>	<u>347,005</u>
Current assets			
Financial assets at fair value through profit and loss		6,280	6,796
Forfeited collaterals held for sale		279	282
Inventories		233	233
Accounts receivable	10	117,239	113,180
Loan receivables		23,332	24,722
Deposits, prepayments and other receivables		29,588	17,137
Bank balances and cash		99,302	100,003
		<u>276,253</u>	<u>262,353</u>
Current liabilities			
Accruals, deposits received and other payables		9,849	15,300
Interest-bearing borrowings		46,857	46,396
Current portion of contingent consideration payable		2,803	2,803
Tax payables		5,861	5,813
		<u>65,370</u>	<u>70,312</u>
Net current assets		<u>210,883</u>	<u>192,041</u>
Total assets less current liabilities		<u>554,766</u>	<u>539,046</u>
Non-current liabilities			
Contingent consideration payable		5,170	5,170
Deferred tax liabilities		4,666	5,172
		<u>9,836</u>	<u>10,342</u>
NET ASSETS		<u><u>544,930</u></u>	<u><u>528,704</u></u>
Capital and reserves			
Share capital		9,903	9,903
Reserves		474,276	461,502
		<u>484,179</u>	<u>471,405</u>
Non-controlling interests		60,751	57,299
TOTAL EQUITY		<u><u>544,930</u></u>	<u><u>528,704</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2023

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 2023, 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 2023:

HKFRS 17	<i>Insurance contracts</i>
Amendments to HKAS 8	<i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>
Amendments to HKAS 12	<i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>
Amendments to HKAS 12	<i>Income taxes: International tax reform – Pillar Two model rules</i>

The directors of the Company anticipate that the application of amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in this unaudited condensed consolidated interim 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

For the six months ended 31 October 2023, 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 and 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 2023 (unaudited)

	Technology <i>HK\$'000</i>	Property <i>HK\$'000</i>	Financial <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>100,649</u>	<u>2,530</u>	<u>179</u>	<u>103,358</u>
Segment results	<u>24,954</u>	<u>(898)</u>	<u>(10)</u>	<u>24,046</u>
Unallocated other revenue and other gains				455
Unallocated corporate expenses				(7,848)
Finance costs				<u>(1,190)</u>
Profit before income tax				15,463
Income tax credit				<u>506</u>
Profit for the period				<u>15,969</u>

Six months ended 31 October 2022 (unaudited)

	Technology <i>HK\$'000</i>	Property <i>HK\$'000</i>	Financial <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>98,858</u>	<u>2,233</u>	<u>(1,250)</u>	<u>99,841</u>
Segment results	<u>25,950</u>	<u>(1,481)</u>	<u>(2,388)</u>	<u>22,081</u>
Unallocated other revenue and other gains				707
Unallocated corporate expenses				(7,340)
Finance costs				<u>(500)</u>
Profit before income tax				14,948
Income tax credit				<u>945</u>
Profit for the period				<u>15,893</u>

(b) Geographical segments

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

	Six months ended 31 October (unaudited)	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and Mainland China	87,713	53,003
Others	15,645	46,838
Total	<u>103,358</u>	<u>99,841</u>

(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 2023 (2022: 10%).

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)	
	2023	2022
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers within HKFRS 15</i>		
Provision of technology and related activities	100,649	98,712
<i>Revenue from other sources</i>		
Provision of property leasing services		
– Gross rental income from investment properties	2,530	2,233
Provision of financial related activities		
– Interest income	587	576
– Dividend income from listed equity securities	107	146
– Net loss on listed equity securities at FVPL (<i>Note</i>)	(515)	(1,826)
	179	(1,104)
	103,358	99,841

Note:

	Six months ended 31 October (unaudited)	
	2023	2022
	HK\$'000	HK\$'000
Net loss on listed equity securities at FVPL		
– Change in fair value	(515)	(1,805)
– Realised loss	–	(21)
	(515)	(1,826)

	Six months ended 31 October (unaudited)	
	2023	2022
	HK\$'000	HK\$'000
Other revenue and net gains		
Bank interest income	27	14
Management income	170	323
Others	26	693
	223	1,030
	223	1,030

5. PROFIT FROM OPERATIONS

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

	Six months ended 31 October (unaudited) 2023 HK\$'000	2022 HK\$'000
Staff costs	9,589	10,588
Gross rental income from investment properties less direct outgoings of approximately HK\$365,000 (2022: approximately HK\$106,000)	<u>(2,165)</u>	<u>(2,127)</u>

6. FINANCE COSTS

	Six months ended 31 October (unaudited) 2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	<u>1,190</u>	<u>500</u>

7. INCOME TAX CREDIT

	Six months ended 31 October (unaudited) 2023 HK\$'000	2022 HK\$'000
Profits tax: Write back of deferred tax	<u>506</u>	<u>945</u>
Income tax credit for the period	<u>506</u>	<u>945</u>

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 (2022: nil).

8. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2023 (2022: 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:

	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Earnings for the period		
Earnings for the purpose of basic and diluted earnings per share	<u>12,517</u>	<u>13,115</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>247,574,833</u>	<u>227,074,833</u>

10. ACCOUNTS RECEIVABLE

	31 October 2023 <i>HK\$'000</i> (unaudited)	30 April 2023 <i>HK\$'000</i> (audited)
Accounts receivable	125,250	122,409
Less: Loss allowance	(8,011)	(9,229)
	117,239	113,180

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

	31 October 2023 <i>HK\$'000</i> (unaudited)	30 April 2023 <i>HK\$'000</i> (audited)
Within 30 days	22,671	11,641
31 to 60 days	20,810	11,141
61 to 90 days	18,113	9,856
91 to 180 days	35,975	26,511
Over 180 days	19,670	54,031
	117,239	113,180

The Group generally allows an average credit period range from 30 to 180 days to its customers. Accounts receivable that were neither past due nor impaired related to customers for whom there was no default. Accounts receivable that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, 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. 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 29 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Overall Performance

Despite facing global, regional, and local challenges in Hong Kong, we are pleased to announce that the Group has thrived under these circumstances and showcased robust operational performance during the period under review and attained six consecutive profitable interim results, demonstrating consistent success over time. During this period, the Group's revenue increased 3.5% to HK\$103.4 million (1H2022: HK\$99.9 million), resulting in profit of approximately HK\$16.0 million (1H2022: profit of HK\$15.9 million).

Technology Business

The Group's main revenue generating business is a technology and related business where we provide software and other IT services, and related consulting and business solutions, with an emphasis on our portfolio of technology-for-business applications, digital transformation, and scalable cloud platforms, including, amongst others, for example, industry vertical expertise in enterprise management technologies, event management solutions, financial management solutions for major events, SaaS mobile enterprise solutions, remote learning/training solutions, and virtual/hybrid event solutions.

During the period under review, our technology sector revenue increased by 1.8% to HK\$100.6 million (1H2022: HK\$98.9 million), resulting in profit of approximately HK\$25.0 million (1H2022: profit of HK\$26.0 million).

Property & Other Business

The Group's property business has maintained steady performance, yielding consistent rental income. Yet, amid uncertain market conditions, we remain vigilant in pinpointing opportune moments and values for divesting select properties.

During the period under review, overall property values in the Hong Kong market have been relatively stagnant, and our property segment recorded unrealized fair value of HK\$231.7 million as at 31 October 2023 (30 April 2023: HK\$234.1 million). Rental income for the period under review was HK\$2.5 million (1H2022: HK\$2.2 million).

The financial services related business is engaged in securities trading and other financial-related operations. During the period under review, the Group recorded revenue of HK\$0.2 million (1H2022: negative revenue of HK\$1.3 million), resulting in loss of approximately HK\$10,000 (1H2022: loss of HK\$2.4 million). We expect to continue to reduce the weighting of this segment.

Outlook

Navigating Business Growth in a Shifting Global Landscape

Throughout the period under review, ongoing geopolitical tensions, economic fluctuations, inflation and volatile markets have continued to influence global growth and the overall economic environment. While geo-political disruptions are compelling more companies to move towards revamping supply chains for resilience and efficiency, the global digital shift seems to be steering businesses towards more sustainable commitments. This has meant that capital investments in technology have in many cases become more essential for our business clients, not only for them to survive, but for them to sustain and thrive within the robust digital ecosystem integration process, which therefore positions IT as one of the crucial enablers in this trajectory. These shifts frequently demand substantial investments in technology and innovation, signaling growth prospects for Vongroup and also for the IT industry as a whole.

Sustainable Innovations and Investments

Vongroup remains steadfast in its commitment to pioneering sustainable innovations and investing in cutting-edge technologies, as evident through our technology-for-business ecosystems. As we continuously allocate resources into refining our products and platforms, we seek to fortify our position towards the forefront of innovation. And as we collaborate closely with strategic partners across different industries, we have pooled together collective expertise, which has helped to drive forward transformative opportunities that further their industries' development. These investments not only underscore our dedication to sustainable practices, but also help to empower us to spearhead positive change, positioning Vongroup as one of the trailblazers in driving impactful, forward-thinking solutions.

Technology Business – Potential Additions

It is inherent in the nature of the digital technology business that technologies will evolve, and old technologies will gradually become obsolete, getting replaced by newer technologies at much shorter intervals than commonly would be the case for many other tools or skillsets in other industries. Therefore, the Group is looking forward to completing and making new acquisitions that we believe would add to our accumulated business, management and sales skills in relation to technologies-for-business. These potential additions include, for example, the acquisition of equity interest in Rosarini International Limited's FashionTech business.

International Expansion

Our commitment to international expansion remains strong, and we have established our office and operations in the United Kingdom, to oversee and direct our operations in the UK/EU. We are seeking to expand internationally with our technology products and services, including leveraging upon our experience to provide consultancy services to improve or develop customers' technology-focused commercial models.

With the combination of the Group's applied technology and commercial operation experience over the past 15 years, we are optimistic that we will continue to grow our presence in Hong Kong, regionally in Asia, and elsewhere internationally.

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 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 Group 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 31 October 2023.

Completion of Material Acquisitions And Disposals

The Group had no completion of material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 31 October 2023.

Significant investment

The Group had no significant investment of carrying value of 5% or more of the total assets as at 31 October 2023 (30 April 2023: nil).

Financial Review

Liquidity and Financial Resources

The Group maintained cash and bank balances as at 31 October 2023 amounting to approximately HK\$99.3 million (30 April 2023: approximately HK\$100.0 million). The Group's current ratio as at 31 October 2023 was 4.2 (30 April 2023: 3.7). The total equity of the Group amounted to HK\$544.9 million (30 April 2023: HK\$528.7 million) as at 31 October 2023.

Gearing

The gearing ratio, as a ratio of bank and other borrowings to total equity, was 0.09 as at 31 October 2023 (30 April 2023: 0.09).

Exchange Rate Exposure

The Group's assets, liabilities and cash flow from operations are mainly denominated in Hong Kong dollars, US dollars and Renminbi. 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 2023, there were bank borrowings and overdraft facility, which were denominated in Hong Kong dollars, of approximately HK\$40.5 million (30 April 2023: HK\$41.3 million) and approximately HK\$5.5 million (30 April 2023: HK\$4.1 million) respectively. The bank borrowings are not repayable within one year from the end of the reporting period but contain a repayment on demand clause. The bank overdraft facility is used by the Group as a flexible facility for daily operations similar to other banking facilities. All bank borrowings were classified into current liabilities of the Group.

As at 31 October 2023, there was an unsecured loan entered into by a non-wholly-owned subsidiary, which was denominated in Hong Kong dollars, of approximately HK\$0.8 million (30 April 2023: 1.0 million).

Contingent Liabilities

As at 31 October 2023, the Group did not have any material contingent liability (30 April 2023: nil).

Pledge of assets

As at 31 October 2023, the bank borrowings of the Group were drawn under banking facilities. The banking facilities are secured and guaranteed by:

- (i) certain investment properties of the Group with an aggregate net carrying amount of approximately HK\$174.5 million (30 April 2023: HK\$183.2 million);
- (ii) certain leasehold land and buildings of approximately HK\$10.1 million (30 April 2023: HK\$10.3 million); and
- (iii) an unlimited corporate guarantee provided by the Company.

All of the banking facilities are subject to the fulfilment of covenants relating to the respective subsidiaries as are commonly found in loan arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, the subsidiaries' loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the subsidiaries have complied with the covenants and met the scheduled repayment obligations.

Commitments

The Group had no capital commitments as at 31 October 2023 (30 April 2023: nil).

Employment and Remuneration Policy

As at 31 October 2023, the Group had 40 (30 April 2023: 45) 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 2023.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 October 2023 (31 October 2022: 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 2023.

Audit Committee

During the six months ended 31 October 2023, the audit committee of the Company (the “Audit Committee”) comprised three or four independent non-executive directors, namely, Fung Ka Keung David, Lam Lee G. Wong Man Ngar Edna (until 30 October 2023) and Daphne Bontein da Rosa Gohel (since 6 October 2023). 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 2023.

Compliance with the Code on Corporate Governance Practices

During the six months ended 31 October 2023, 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 C.1.8, C.2.1, and B.2.2 of the CG Code as described below.

Under code provision C.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 C.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 B.2.2, every Director should be appointed for a specific term, subject to re-election. Two independent non-executive Directors of the Company are not appointed for a specific term, which derives from code provision B.2.2. In accordance with Article 87 of the Articles of Association adopted on 31 October 2022 (the “New Articles”) of the Company, at least one-third of the Directors for the time being shall retire from office by rotation, who have been longest in office since their last re-election, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, the Board considers that this deviation is acceptable.

Events after the reporting period

On 1 December 2023, VG Investment Assets Holdings Incorporated, a wholly-owned subsidiary of the Company, completed its acquisition from Kingston Investment Assets Limited, an independent third party, of approximately 4.5% equity interest in Claman Global Limited (“Claman”) at a consideration of HK\$5,627,097 by allotment and issue of 23,252,466 consideration shares of the Company (the “Acquisition”). Upon completion of the Acquisition, the Company held approximately 54.8% of Claman. Details are set out in the Company’s announcement dated 1 December 2023.

Save as disclosed in this announcement, the Group did not have any material events after the end of the reporting period.

Publication of interim report

The interim report of the Company for the six months ended 31 October 2023 will be despatched to the shareholders of the Company on or before 31 January 2024 and will be published on the websites of Hong Kong Exchanges and Clearing Limited and of the Company.

By order of the Board
Vong Tat Ieong David
Executive Director

Hong Kong, 29 December 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Vong Tat Ieong David and Xu Siping, and three independent non-executive Directors, namely Daphne Bontein da Rosa Gohel, Fung Ka Keung David and Lam Lee G.

* *For identification purpose only*